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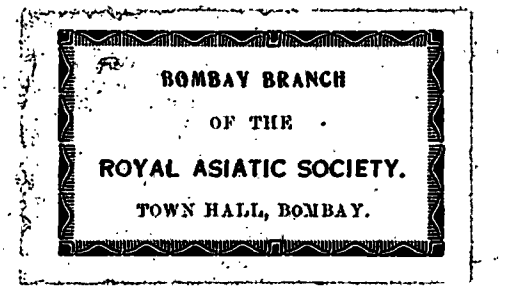

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ANNUAL MARKET REVIEW
1935.

1939

PREMCHAND ROYCHAND & SONS,
BOMBAY.

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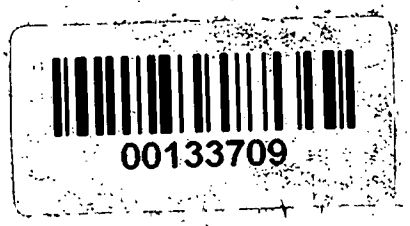
ANNUAL MARKET REVIEW
1935.



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BOMBAY, 1ST JANUARY 1936.

INTRODUCTORY.

Exponents of the traditional theory of the trade cycle predict a peak year in 1937. It can hardly be claimed that 1935 produced many preliminary indications of the imminence of so desirable a consummation. It was a year of political alarums and excursions, compensated by evidence of very little economic recovery. In the political sphere a year which began with the repudiation by Nazi Germany of the disarmament clauses of the Versailles Treaty and the restoration of compulsory military service was further distinguished by the initiation by Fascist Italy of an aggressive war against Ethiopia, thereby dishonouring its treaty obligations and imperilling the system of collective security embodied in the constitution and commitments of the League of Nations. Consequently, to the manifold hindrances to trade described in previous Reports, there has now been added the heavy burden of general re-armament and the menace of international conflict, creating a situation in which international co-operation in the formulation and application of measures designed to promote any sort of revival in world trade is extremely difficult to visualise. On the contrary, the immediate and inevitable effect of the warlike atmosphere now prevalent is to give a new lease of life to the whole philosophy and system of economic nationalism which has contributed so largely to the present depression. For manifestly, if "economic sanctions" are to become the normal international penalty applicable to an "aggressor" State, economic self-sufficiency will rank as an essential form of national defence in order to render such action as far as possible infructuous—and the economic programmes of Powers nurturing imperialist ambitions will be moulded with this primary consideration always in view. It is probably not too much to say that the ability (or inability) of the League of Nations to combat, and finally crush, Italian aggression in Ethiopia will determine the course of international relations, not in Europe alone, for a generation.

The United Kingdom.

Building on the unshakable political foundations available only in a country dominated by a vigilant and informed democracy, the National Government, which towards the end of the year was given a new lease of power, has been able to reinforce stable finance and currency with a remarkable degree of industrial and commercial recovery. The financial year 1934-35 closed with a realised surplus of £7,562,000 after providing £12,343,000 for the Statutory Sinking Funds; and despite additional provision for the social services, as well as for national defence, another satisfactory surplus is confidently anticipated at the close of 1935-36. Despite a shrinkage in world exports, British exports were the highest in value since 1930, increasing by £30,000,000 or 8 per cent., mainly owing to larger shipments to Empire markets, although consignments to foreign

countries also showed a slight advance. Nevertheless, an expanding domestic demand undoubtedly afforded the most potent stimulus to industrial activity, notably in the building and steel industries, and the three industries whose welfare is most closely dependent on an active international trade, *viz.*, coal mining, cotton, and shipbuilding, remain relatively depressed, and, in all probability, will never quite regain their former vitality and importance as units in the British economic structure. Although, too, the number of insured people in employment is higher than in any year during the past decade for which comparable figures are available, there is also cause for reflection in the continued existence of a level of unemployment not much below the two million mark; and this position appears likely to persist pending a very considerable revival in world trade. Yet the boom in building construction, which has contributed so materially to the recent expansion of production and employment, cannot continue indefinitely; and during the current year much will depend on the extent to which any contraction of activity in this direction is offset by the additional expenditure on armaments, railway re-equipment, road improvement, slum clearance, etc., to which Government are now devoting increasing attention.

Money Market.

Discussing whether cheap money has passed its peak, the *Financial News* (January 2nd) in its annual market review expressed the view that when a sufficient time has elapsed to enable the economic historian to view the great crisis in correct perspective, the year 1935 will be regarded as that in which the most pronounced period of monetary ease on record passed its lowest point. At the end of January, 1935, the Treasury bill average rate dropped to only a fraction over 3/16 per cent. In the last week in February it was intimated that the banks would at last return to their preslump practice of refraining from buying bills, either from the market or at the tenders, at any rate below their minimum short-loan rate, *viz.*, ½ per cent. This decision has been the dominating influence upon the market throughout the year, and has restored to the market after three years and more, a margin—albeit a very small one—on running bills. The second major influence has been the discount market's own determination to avoid that overkeen competition among its own members which has had such unhappy results in the past. "Altogether the year has been a satisfactory one for the bill market. Profits from bills have not been large, but they have been a welcome change from the leanness of preceding years, the more so as the opportunities in the Gilt-edged market have been less outstanding....The New Year, unfortunately, opens with a less certain prospect, for the latest Government loan operations will entail a reduction of the Treasury bill issue. Coming armament financing, however, together with the probability of recurring runs on the gold *bloc* (which would bring more Exchange Account bills) should 'cushion' the effects of funding operations."

Capital Issues.—New capital issues in the United Kingdom in 1935 totalled £182,824,000 compared with £150,190,000 in 1934. The virtual suspension of lending abroad is measured by the fact that of last year's issues £161,934,000 or 88 per cent. was for British undertakings. Excluding conversion operations the Dominions and Colonies took £17,210,000, while new capital for foreign countries did not exceed £2,852,000.

Exchange Rates.

The following table shows the highest and lowest points touched by the foreign exchanges, as quoted in London during 1935, and also compares the rates current on the last day of each of the past two years :—

Place.	Par of Exchange prev. to September 20, 1931.	December 31, 1935.	December 31, 1934.	Highest 1935.	Lowest 1935.
New York	$4.86-2/3	4.93	4.94-1/4	4.98-5/8	4.71-1/2
Montreal	$4.86-2/3	4.95-7/8	4.91-1/8	5.00	4.77-1/2
Paris	124.21f.	74-29/64	74-23/32	75-1/2	70-9/16
Brussels	35.00b.	29.25	21.03	29.53	19.95
Milan	92.46l	61-1/4	57-5/8	66	55-5/8
Switzerland	25.22f.	15.15-1/2	15.22-1/2	15.40	14.33
Athens	375.00dr.	519	517	522	490
Helsingfors	193.23m.	227-1/8	226-1/2	227-1/2	226
Madrid	25.22 pts.	35-15/16	36-1/32	36-1/2	34
Lisbon	110.00 esc.	110-1/8	110-1/8	110-1/2	109-3/4
Amsterdam	12.11 fl.	7.25-1/2	7.29-1/4	7.43-1/2	6.87
Berlin	24.43m.	12.24-1/2	12.26	12.39	11.57
Vienna	34.59 sch.	26-1/2	26-3/4	27-1/2	24-1/4
Budapest	27.82 pen.	16-1/2	16-7/8	16-7/8	16-1/4
Prague	164.25 kc.	118-1/2	118	120	111-3/8
Danzig	25.00 gl.	26-1/8	15	26-1/2	24-3/4
Warsaw	43.38 zy.	26-1/16	26-1/16	26-1/2	24-1/2
Riga	25.22 lt.	15-1/8	15-1/4	15-3/4	13-7/8
Bucharest	813.60 lei.	665	490	666	455
Constantinople	110.00 pst.	614	608	615	580
Belgrade	276.32 din.	216	218	225	200
Kovno	48.66 lit.	29-1/4	29-1/2	30	27-1/2
Sofia	673.66lev.	400	415	440	365
Tallinn	18.16 kr.	18-1/4	18-1/4	18-3/4	17-3/4
Oslo	18.16 kr.	19.90	19.90	19.95	19.85
Stockholm	18.16 kr.	19.40	19.39-1/2	19.45	19.35
Copenhagen	18.16 kr.	22.40	22.40	22.45	22.35
Alexandria	97.50 pst.	97-1/2	97-1/2	97-5/8	97-3/8
Bombay	1s. 6d.	1/6-5/32	1/6-3/32	1/6-3/16	1/6-1/32
Calcutta	1s. 6d.	1/6-5/32	1/6-3/32	1/6-3/16	1/6-1/32
Madras	1s. 6d.	1/6-5/32	1/6-3/32	1/6-3/16	1/6-1/32
Hong-Kong	....	1/3-3/4	1/8-13/16	2/8-1/8	1/3-1/4
Kobe	24.58d.	1/2-1/32	1/2	1/2-1/4	1/1-29/32
Shanghai	....	1/2-9/16	1/4-13/16	1/10-1/8	1/2-1/4
Singapore	2s. 4d.	2/4-3/32	2/4-3/16	2/4-1/4	2/3-13/16
Batavia	12.11 fl.	7.22-3/4	7.27-1/2	7.39	6.86
Rio de Janeiro	5.90 d.	2-21/32 d.	3-1/4 d.	3-1/2 d.	2-1/2 d.
Buenos Aires	11.45 pes.	18.25 (*b*)	27-11/16 d.(*a*)	19.80	17.40
Valparaiso	40.00 pes.	127	119-1/2	128	115
Montevideo	4s. 3d.	22-1/4 d.	20-1/4 d.	22-1/2 d.	19d.
Lima	17.38 sl.	19.85	20.60	20.95	18.80
Mexico	9.76 pes.	17-3/4	18	18-1/2	16
Manila	24.66 d.	2/0-1/4	2/0-1/4	2/1-5/8	1/11-3/4

(*a*) Pence to peso. (*b*) Paper peso to pound.

The strain upon the countries forming the gold *bloc* is reflected in the decline in their gold stocks; in the case of the Bank of France from 82,018,000,000f. to 66,297,000,000f.; the Swiss National Bank, from 1,909,795,000sw. f. to 1,386,843,000sw. f. and the Bank of Netherlands, from 859,977,000fl. to 662,439,000fl. To quote the *Times* summary: "The major factors influencing the course of the exchanges during the year were not the normal international trading and commercial payments, but flights from one currency to another as a result of fears of devaluation and other non-commercial causes, such as the American silver purchases. Speculation in the foreign exchanges was greatly reduced during the year, partly as a result of the decision of the large banks not to enter into forward contracts excepts for genuine commercial purposes."

Bank Clearings.—The annual report of the Bankers' Clearing House for the second year shows a substantial increase in the total of the three clearings, the largest actual increase being that of £1,703,458,000 in the Town Clearing reflecting greater financial activity as measured, on the one hand, by an addition of £231,408,000 or 6.6 per cent. in the clearing on Stock Exchange Account days and an increase of 39.6 per cent. in new capital issues. Increased industrial activity is disclosed in the advance of £244,552,000 or 8.1 per cent. in the country cheque clearing.

Perhaps hardly less significant, although in a negative sense is the circumstance that for the third year in succession the number of business failures in Great Britain showed a decline. Larger retail sales, increased railway receipts, expanding production and employment, in conjunction with the other favourable factors enumerated above, join to lend solid support to the Chancellor's confident forecast that the year now opening should be even more prosperous than the last.

The Gold Bloc.

In sharp contrast to the steadily increasing welfare of the Sterling Area, the multiplying difficulties of the Gold *Bloc*, as reflected in unsolved budgetary difficulties, recurring exchange crises, contracting trade and increasing unemployment conjoin to explain the growing anxiety with which the economic and financial future of this diminishing group of countries is regarded. Nor does the experience of Belgium, subsequent to the devaluation of the belga, suggest that an analogous adjustment in the remaining "on-gold" countries would produce the dire results apprehended by the fanatical supporters of the *status quo*. As between the Gold *Bloc* and the rest of the world, what is virtually being staged is a test of endurance which can have only one result. In effect, stabilisation is deferred until the staying powers of the Gold *Bloc* countries are exhausted: a sequel to the present unequal struggle which cannot be long deferred. Whereas in the countries included in, or closely associated with, the sterling group, industrial activity is now approximately back to the 1929 level, in the "on-gold" countries it is still only slightly above the 1932 standard, and, until greater uniformity in recovery is achieved, it is clear that the predepression volume of international trade cannot be regained. A general return to the gold standard in these conditions would yield, not recovery, but a rigidity fatal to progress. Whatever the adjustments required, the New Year could bring no greater stimulus to international trade than a Triple Alliance of Great

Britain, France and the United States restoring the monetary stability essential alike to facilitate the resumption of foreign investment, the elimination of exchange restrictions and clearing agreements, and the progressive reduction of trade barriers, to the extent necessary to enable international commerce to find a new and firmer foundation on the basis of complementary production and trade.

The United States.

Addressing the Houston Chamber of Commerce in the middle of December, the Chairman of the Chase National, the largest bank in the United States, described the recovery which occurred in general business starting in July 1935 as the most impressive display of economic strength the country had witnessed since the Great Depression began. Mr. Aldrich ascribed the recovery to three factors: "Lessening of fear of the New Deal resulting from realisation that the Supreme Court would preserve the liberties guaranteed to the people under the Constitution; disappearance of the N. R. A.; tremendous replacement demand for both consumer and producer goods. These three great causes of the current business improvement are all sound, wholesome, encouraging and, unless checked by adverse political developments at home or abroad, justify confidence that the coming months will see continued strength and probable further improvement."

In an equally encouraging analysis, in mid-November, the Chairman of the American Section of the International Chamber of Commerce claimed that conditions in the U.S.A. have improved in industrial production, agriculture, finance and in domestic and foreign trade to such an extent as to create the conviction that the country is now well on its way out of the depression. The national income for 1934 was 10 per cent. over 1933, and would be higher still in 1935. Bank failures have ceased, confidence in banking institutions is restored, and deposits have increased by 7 per cent. over 1934. Farm income in 1935 was 4 per cent. over 1934, 25 per cent. above 1933, and 35 per cent. above 1932 (first nine months of the year). Steel production is 18 per cent. above 1934, 40 per cent. above 1933, and 193 per cent. above 1932. Automobile production is 23 per cent. higher than a year previous, 78 per cent. higher than two years ago, and 154 per cent. higher than three years ago. Electric output is higher than it has ever been. Factory employment is 10 per cent. ahead of 1934 and payrolls are 24 per cent. higher. The machine tool industry has the largest number of orders since 1929. Many railroads are ordering new rolling stock and remodelling old cars. Many expansion programmes are announced, and new industries are developing on an important scale. Net earnings of industrial companies reporting for the first nine months of 1935 showed a 25 per cent. gain and dividends 13 per cent. over the corresponding period of 1934, while 1934 showed an increase of 47 per cent. over 1933, and 1933 an increase of 400 per cent. over 1932. Government indebtedness represents less than one per cent. of the national wealth and interest rates are approximately the same as in 1932 due to refinancing at lower rates. With expenditures decreasing and revenues increasing no one can question the soundness of the financial position of the United States in whose economic structure there still, however, remains the apparently insoluble problem presented by the persistence,—despite official effort and expenditure, and the

upswing in production—of a mass of unemployment involving the maintenance in semi-indigent idleness of approximately 11 million displaced workers.

International Trade : Value and Volume.

According to the December issue of the *League of Nations Bulletin of Statistics*, the world's industrial activity during the first eight to ten months of 1935 was greater than in the corresponding period in 1934. In Russia the increase reached 20 per cent., in Italy 19 per cent., in Germany 18 per cent., in Chile 16 per cent., in Hungary 13 per cent., in Japan 12 per cent., in the U.S.A., Sweden and Greece 11 per cent., in Canada, Denmark and Austria 9 per cent., in the United Kingdom and Belgium 7 per cent., in Poland 6 per cent., in Finland 5 per cent., and in Norway 4 per cent. In Holland production declined by 6 per cent., and in France by 7 per cent., while in Czecho Slovakia and Spain it remained unchanged. During the third quarter of 1935 the gold value of world trade was 2.5 per cent., and the quantum 1.3 per cent. higher than in the corresponding quarter in 1934. Of greater practical value and interest as an index to world trade are the calculations issued by the German Institute of Business Research which assesses the trade of each country in terms of its own currency and combines the data so obtained into a single index number in which each country is weighted according to the value of its trade in 1929. This index shows that world trade has expanded by 23.1 per cent. since 1932, although it is still 48 per cent. below the 1929 level. Examining the figures in greater detail we find that while there has been a moderate recovery in European industrial countries outside the gold *bloc*, there has been a greater recovery in the non-European industrial countries, such as the United States, Canada and Japan, and a complementary recovery in the non-European agricultural countries owing to the increased demand for raw materials.

Manifestly, however, the restoration of international trade, the indispensable concomitant of the national development programmes now being so vigorously pursued, is still only in the incipient stage, and it is probable,—if Italy had not intervened so inopportunely to block the road of economic recovery as well as of political stability—that further progress would have been made in the direction of international collaboration with the object of accelerating the pace of commercial recovery. At the sixteenth Assembly of the League, in the course of an appeal for saner economic policies allied to the suggestion that tariff barriers should be lowered in favour of countries which stabilise their currencies, the French Minister for Commerce, emphasised that while there has been recovery it has been, for the most part, local and limited, and that there can be no solution of the crisis so long as currency instability and exchange control continue or while so many barriers obstruct the movement of capital and goods. Developing these views at the Council meeting of the International Chamber of Commerce held in Paris on November 15th, M. Bonnet insisted, with complete justification, that no one can talk of a real return to prosperity until the international flow of goods and capital has been restarted. This is true of all countries, however rich and however varied their resources. The French thesis, in brief, is that a general return to monetary stability and a return to a more liberal condition of trade should remain the two principal objectives of international statesmanship and that until these objectives are attained, the crisis will persist.

Unhappily, while statesmen in all countries are prepared to acknowledge the high importance both of stabilization and of lower tariffs, agreement is still limited only to broad principles and joint action is delayed by differences of outlook and method which so far have proved unbridgeable.

Stabilization and Sterling.

The policy of the British Commonwealth towards the stabilization of sterling, as reiterated in an editorial article in *The Times* (December 5th), is set out in two official documents, as valid to-day as when they were first promulgated. The first is the report of the Ottawa Committee on Monetary and Financial questions, adopted by the full Conference, recognising that the " ultimate aim " of monetary policy should be " the restoration of a satisfactory international standard " which however " should so function as not merely to maintain stable exchanges between all countries, but also to ensure the smooth and efficient working of the machinery of trade and commerce " Among the conditions precedent to the re-establishment of any international monetary standard it was agreed at Ottawa, the most important are a " rise in the general level of commodity prices to a height more in keeping with the level of costs, and an adjustment of the factors, political, economic, financial, and monetary, which have caused the breakdown of the gold standard in many countries and which, if not adjusted, would inevitably lead to another breakdown of whatever international standard may be adopted." In a declaration, subsequent to the breakdown of the World Economic Conference, these principles were re-affirmed, but as *The Times* remarks, the " conditions precedent " are " just as far from being realized now as they were in 1932 and 1933. Wholesale prices of agricultural commodities have improved, and in various ways the costs of production and the burden of debts, internal and international have been lightened ; but neither process has gone far enough to make primary production remunerative and to restore the purchasing power of the primary producing countries."

In India, the accuracy of this diagnosis is self-evident and will be accepted without challenge. " Moreover new factors have arisen making for instability—the intensified political unrest all over Europe and in the Far East, bringing with it the fear of war ; the growth of economic nationalism and the consequent State control of trade and finance ; the still uncertain issue of the far-reaching experiments in the United States ; and the fundamental economic disequilibrium which has forced many debtor countries to suspend the discharge of their current liabilities and to introduce rigid exchange controls. Real stability in the rates of exchange between the different currencies is the expression of an underlying economic equilibrium. In the absence of that equilibrium any attempt to maintain an artificial stability by fixed gold parities would only lead to a fresh breakdown and to greater disorder."

In British opinion, therefore, stability of purchasing power is more important than stability in relation to gold and the gold currencies. In a declaration issued in reply to the Lloyd-George " Peace and Reconstruction " programme last year, the British Government claimed that " while in many foreign countries prices have been falling to the continuous injury of employment and of

trade, and in others great currency vicissitudes have been suffered, the pound sterling since its divorce from gold has been maintained as the steadiest currency in the world. If its value has varied as against the value of gold, that is due to vagaries in the value of gold, not of the pound." There has been a substantial rise in the wholesale prices of primary products, largely as the result of a policy of cheap money and of lower rates of interest and it is the prices of these products in the United Kingdom, their principal market, which matter most to the Empire countries. Finally: " The countries of the Empire and many foreign countries which have allied themselves to sterling have also, in trade within the group, enjoyed immunity from the currency fluctuations which have afflicted the other countries of the world." That the view thus enunciated on behalf of the British Government and Treasury commands the complete support of the " City " is attested by the affirmation of a recognised exponent of British banking opinion in a recent issue of Lloyds Bank Review that " we should put out of our minds for the present any thought of returning to the gold standard, in the sense of determining once for all the parity of sterling with gold, and that for the time being the continuance of our present policy will give us as much stability as we can expect—namely, stability in our own country and over that considerable part of our foreign trade represented by the sterling area."

The Gold and Sterling Blocs.

Unlike France, which leads the Gold *Bloc*, Great Britain, which leads the Sterling *Bloc*, can boast not only a stable currency, and a firmly-balanced Budget, but a stable Government whose steady adherence to a clearly-defined programme, in contrast to the varying and vacillating policies of successive Cabinets across the Channel, affords the surest guarantee, not only of national progress but, in the international sphere, of ultimate predominance. In present conditions, the " Stability " of the Gold *Bloc* currencies imposes, on the countries concerned, heavy sacrifices yielding very limited gains. " In fact what has happened during the last few months ", as pointed out in the Banking Supplement of " The Economist " last October, " may be termed a continuous deterioration of the money markets of the gold *bloc* countries. The benefits which theoretically accrue to the banking community from a stable monetary standard should be abundant and cheap money at short and long term, and an easy investment market. But the flight of capital has now been carried to such an extent in the countries which remained faithful to the gold standard that this no longer holds true of them. Fixed income securities have declined seriously in Zurich and Amsterdam and have recovered to an insufficient extent in Paris. Subscription to Treasury Bills has become difficult even in Holland. A ' cheap money ' policy under such circumstances and when the Central Bank must be prepared to restrict credit in order to check speculation, is unthinkable. The liquidity of the commercial banks may be preserved, thanks to a liberal policy of the Central Bank, but the absence of borrowers from the business world makes it impossible to put money into circulation except through the channel of the budgetary deficits. To-day the question can be raised whether France, who could lose 10,000 million francs of gold in May and June without major trouble, could again sustain such a drain on its reserves. Until the end of 1933 there was

undoubtedly much injustice in the Anglo-Saxon contention that the gold *bloc* was a factor of monetary instability. Since, then, however, the depression has wrought such deep evils in the gold *bloc* countries that they constitute, to say the least, a factor of serious uncertainty."

In such circumstances, as we have already suggested, it is not without significance that while France confronts 1936 with a policy involving deflation, reduced incomes and purchasing power, rising costs of production and declining trade, the United Kingdom faces the New Year fortified by a continuance of "cheap money", allied with increasing production, employment and exports, creating a feeling of confidence—despite the heavy clouds overhanging the European situation—which augurs well for the future. The Gold Bloc has survived the strains of 1935, but will it survive the stresses of 1936 ?

Access to Raw Materials.

When the British Foreign Secretary proposed, at Geneva in September, an internationl examination of the problem of "free access to the world's raw materials," he raised an issue which he failed to clarify, for the practical problem, for the importing countries, especially at a juncture when supplies are so ample, is one not of access, but of acquisition, or still more precisely, of payment. Furthermore, payment is, in the ultimate analysis, not merely a question of territorial control of the sources of supply, but of the fiscal and economic policies initiated by the countries exporting primary products, or which may be imposed upon them. In the British Empire, which covers 27 per cent. of the world's surface, and shelters 25 per cent. of its population, India accounts for three-quarters of the population, while Canada, Australia, New Zealand and South Africa—all completely autonomous Dominions—account for the greater part of its area, and especially, in conjunction with the Crown Colonies, form the area offering the widest scope for the production of raw materials. The countries which clamour most insistently for the control of territories yielding primary products are Germany, Italy and Japan. Of these three, the last-named has already gone a long way towards meeting its requirements by carving a new economic empire out of China; Italy, in defiance of the League of Nations, is endeavouring to achieve a similar purpose in Ethiopia; while Nazi Germany is deferring similar action only until its programme of re-armament is complete.

As it would be unreasonable, and in any case futile, to expect these "dissatisfied" and industrialised Great Powers to remain content with their present position, it is desirable to consider on what foundations peace and prosperity can be secured. If revision of territorial boundaries is banned, except by recourse to armed conflict, it becomes additionally urgent to seek alternative solutions. The only effective solution appears to be a general lowering of the trade barriers which are inciting military re-armament as the sequel to a trade depression unsurpassed in extent and intensity in modern history.

DISTRIBUTION OF THE WORLD'S RAW MATERIAL PRODUCTION.

Commodity and Measure.	Total World Production.	Percentage of World Production falling to					
		British Empire and Egypt.	French Empire	Dutch Empire	U.S.A. and Dependencies.	U.S.S.R.	Rest of World.
CEREALS, ETC.							
Wheat[1] .....mill. quintals	1,312	23.4	9.1	0.3	10.9	21.2	35.1
Barley[2] ..... ,, ...	379	14.6	10.3	0.3	6.9	17.8	50.1
Maize[1] ..... ,, ...	1,100	5.9	1.4	1.4	55.0	4.3	32.0
Soya bean[1] .....'000 quintals	67,870	Nil	Nil	2.7	4.7	1.5	91.1
Vegetable oils[2] ,, ...	13,550[6]	20.6	12.4	9.7	Nil	Nil	57.3
Coffee[3] ..... ,, ...	24,980[5]	2.1	0.9	4.4	1.2	Nil	91.4
Cocoa[3] ..... ,, ...	5,800[5]	55.0	12.4	0.3	0.2	Nil	32.1
Copra[1] ..... ,, ...	16,260[7]	25.0	2.3	34.2	34.6	Nil	3.9
Groundnuts[1] .... ,, ...	60,700[5]	62.8	14.1	3.8	6.8	Nil	12.5
Linseed[2] .... ,, ...	36,000	8.6	0.5	0.1	3.7	21.7	65.4
TEXTILES RUBBER.							
Cotton[4] .....'000 quintals	51,000	24.4	0.2	Nil	49.2	7.1	19.1
Wool[1] .....'000 metric tons ..	1,659	50.9	3.5	0.1	12.3	3.8	29.4
Jute[1] ....'000 quintals	14,605	99.5	Nil	Nil	Nil	Nil	0.5
Rubber[2] .....'000 metric tons ..	1,031[7]	58.0	1.9	37.2	Nil	..	2.9
MINERALS, METALS, ETC.							
Coal[2] .....mill. metric tons ..	1,100	25.4	4.5	1.2	34.4	8.5	26.0
Lignite[2] ,, ...	178	3.7	0.6	0.1	Nil	Nil	95.6
Petroleum[2] ,, ...	206	1.8	Nil	2.9	59.8	11.7	23.8
Iron ore[2] ,, ...	116	10.0	29.0	0.0	22.1	18.8	20.1
Copper (content)[1] '000 metric tons ..	1,050	29.8	Nil	Nil	16.8	3.0	50.4
Nickel (content)[1] ,, ...	45	94.3	Nil	Nil	0.2	2.2	3.3
Tin ore[2] ,, ...	122	43.1	1.0	16.4	Nil	Nil	39.5
Lead (content)[1] ,, ...	1,180	44.5	0.7	Nil	21.2	1.1	32.5
Zinc[2] ,, ...	1,185	34.8	0.6	Nil	29.8	1.7	33.1
Chrome ore[1] ,, ...	409	33.5	Nil	Nil	0.2	27.5	38.8
Sulphur (content)[1] ,, ...	2,830	4.8	3.0	Nil	3.9	Nil	88.3
Manganese ore[1] ,, ...	1,751	30.4	0.4	0.6	2.2	59.3	7.1
Pyrites[1] ,, ...	6,592	4.1	2.9	Nil	4.4	3.6	85.0
Bauxite[2] ,, ...	1,137	3.9	46.5	9.2	14.1	Nil	26.3
Potash[2] ,, ...	1,910	0.2	19.8	Nil	6.9	Nil	73.1
PRECIOUS METALS.							
Gold[1] .....'000 kilos	794	64.7	1.0	0.4	10.3	11.1	12.5
Silver[1] ..... ,, ...	5,667	18.5	0.2	0.5	12.8	..	68.0

[1] 1933; [2] 1934; [3] 1933-34; [4] 1934-35; [5] Production or exports; [6] Production or net exports; [7] Shipments.

The above table, taken from " The Economist ", analyses the share of total production falling to each political division, in the latest year for which comprehensive figures are available. Where the figure for a certain division is unobtainable, or available only for a very early year, no entry has been made. Where the word " nil " appears, there is no production, or too small a quantity to show as a percentage.

Admitting, as " The Economist " points out, that " the British Empire has both the most considerable and the most comprehensive resources ", the figures " show that, on the face of it, the " Have-not " nations ' psychology is understandable, and that the ' Haves ' stand in a relation of quasi-trusteeship to the world as a whole." Up to a certain point, it is probably justifiable to assert that the multiplication of trade barriers throughout the world, and the " aggressive " policies now being pursued by the " dissatisfied " Powers, are closely allied—as closely allied as the failure of the Disarmament Conference and of the abortive World Economic (Disarmament, Conference by which it was preceded. Policies which deal only with symptoms will not carry the world very far either towards peace or prosperity. If Japan finds her manufactures subjected to increasing restrictions in markets outside her direct control, she can hardly be indicted for seeking alternative outlets by the only remaining method of securing them. And if Italy and Germany react similarly to similar difficulties, while " economic sanctions " may be justifiable for purposes of immediate protection, it should be no less clear that, on the longer view " economic liberation," in the form of measures leading to a wide restoration of international trade, offers the only reliable guarantee of peaceful progress ; and, in view of its unique political influence and economic resources, if such a policy is to be pursued no group of nations is better fitted than the British Empire to lead the way.

The Ottawa Agreement. From that angle, the Ottawa Agreements, however valuable and indeed essential they may have been as an emergency measure, can only be regarded as a means to an end, not as an end in themselves ; the final objective being, not the establishment of a " closed Empire ", but, as Mr. Baldwin urged at Ottawa, the utilisation of the collective influence of the Empire to secure lower tariffs throughout the world. " For ", as the British Premier then said, " however great our resources, we cannot isolate ourselves from the world. No nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign. Let us therefore aim at the lowering rather than the raising of barriers, even if we cannot fully achieve our purpose now, and let us remember that any action we take here is bound to have its reactions elsewhere." To India, perhaps to a greater extent than to any of the other Dominion, a recovery of her former export business with countries outside the Empire is indispensable, not in her own interests alone, but in those of the United Kingdom. As the British Premier recognised, in the historic declaration of policy which we have already recalled : " the countries of the Commonwealth depend upon world prosperity both directly, when they are selling commodities for which a world market is indispensable to them, and also indirectly, when they sell to the United Kingdom, because the purchasing power of the United Kingdom depends upon her ability to sell in a world market, and that in turn depends upon the ability of the world to buy."

Mutatis mutandis, the ability of India to buy United Kingdom products depends largely on her ability to sell in world markets ; for, despite the preferential tariffs in favour of

Indian produce entering the British market, the balance of trade remains in favour of the United Kingdom, altogether apart from the fact that India as a debtor country needs to maintain a large favourable balance of the trade in merchandise in order to meet obligations averaging Rs. 40 crores per annum payable mainly in sterling. At present the gap is being filled by exports of gold, but manifestly these shipments will not continue indefinitely and, unless their ultimate cessation is offset by larger consignments of merchandise to oversea markets, Indian imports of British manufactures will necessarily show a corresponding decline, notwithstanding the maintenance of preferential tariffs. Perhaps the very important changes which have occurred in the distribution of Indian merchandise exports in the last twenty years can be illustrated most concisely by recalling that whereas in 1913-14 such exports to the United Kingdom totalled Rs. 58 crores against 155 crores to foreign countries, in 1934-35 exports to the United Kingdom were down to Rs. 47 crores while to foreign countries they were as low as Rs. 83 crores, or to little more than half their pre-war level; the balance in favour of India, in her trade with foreign countries, having fallen during this period from Rs. 100 crores in last pre-war year to the relatively negligible sum of Rs. 19 crores in 1934-35.

The conclusion enforced by these significant figures is that, if British exports to India have declined, the decline is not due to the development of Indian industries alone, still less to political prejudice, but is largely conditioned by the smaller offtake of Indian produce by foreign countries coupled with the lower value of the materials exported, owing to the world decline in commodity prices. The effect on India's purchasing power of the world slump in trade and prices is measured by the official calculation that in 1933-34 the aggregate value of the principal Indian crops was only Rs. 474 crores, compared with Rs. 1,021 crores in 1928-29, a decline of Rs. 547 crores, or 53.6 per cent. If therefore India is to regain her former importance as a market for British manufactures, the primary requisite is not preferential tariffs, helpful as these may be in maintaining the British percentage of a very much smaller import trade, but the substantial and early rise in prices so often declared to be one of the first aims of British policy but which, except to a limited extent, has not yet been achieved. It is perhaps one of the disadvantages attaching to the Ottawa preferences that they have tended to divert attention from this problem of the price-level, on which purchasing-power so largely depends.

Conditions of Commercial Recovery.

In view of its status as the World's largest market for primary products the steady recovery achieved by the United Kingdom has been of immense value in maintaining international trade, but it must nevertheless be deplored that equal progress has not been achieved in Europe and the United States. In Europe, although some of the minor States are making headway, the Gold *Bloc* group are encountering the special difficulties associated with adhesion to the gold standard: Germany is sub-ordinating every other consideration to the process of re-armament; while Italy has imperilled her own recovery, as well as the peace and welfare of the Continent generally, by an exhibition of military aggression in which victory, whether from the political, financial or economic angle, could at best prove only slightly less expensive than defeat. Across the Atlantic, the Roosevelt recovery programme has proved far less effective than was generally hoped and expected when it was brought into operation. Hailing 1935 as the second year of sustained recovery, the U.S. Secretary of Com-

merce, in his annual report, has, indeed, estimated the national income at 5 to 10 per cent. higher than in the preceding year, while net business losses, which in 1932 were about 10,000,000,000 dollars falling in 1934 to 2,000,000,000, have been almost entirely eliminated. Perhaps the most outstanding feature of the year, it is claimed, was the better balanced relationship in the whole of the national economy following the irregular improvement in 1934, as a result of which the qualitative changes were of significance and comparable with the quantitative changes. On the other hand, however, it is officially acknowledged in Washington that there are still nearly 11,000,000 unemployed, compared with 11,176,000 in October, 1933, and considering the effort and expenditure meanwhile incurred, the progress achieved appears slight, and doubts are multiplying as to whether the " New Deal " is as sound and fruitful as was first assumed, and whether, in any event, complete recovery is possible by internal measures alone, without recourse to measures designed to stimulate world trade as a whole. In the latter direction America's most distinctive effort—the silver rehabilitation programme—has, at best, fallen far short of the hopes of its sponsors, and, at its worst, has, by its reactions on China, created a new obstacle to general recovery. Meanwhile, the outstanding effect of the American cotton programme has been to accelerate the cultivation and consumption of competing staples to an extent threatening a permanent contraction in world demand for American growths. This is particularly evidenced by the remarkable increase in the acreage now devoted to cotton in Brazil, the Argentine, and other States in South America.

In what directions, then is recovery to be sought? Admittedly, in most countries, industrial production has increased, and unemployment has declined, yet commercial recovery lags, despite its vital importance to every country interested in international trade. As the President of the International Chamber of Commerce maintains in the December issue of " World Trade," the spread of industrialization is not new. Indeed, in the post-war world the development of industrialization has continued at an even intenser pace and has spread to many more countries. But this time, we notice a difference : it has in recent years, since the onset of the world depression, not been accompanied by a parallel growth in world trade, but instead has been accompanied by a lowering of the general standard of living, increased unemployment and financial difficulties. Why has this happened? Summarily, according to the spokesman of the International Chamber, the answer is that before the war industrialization developed within a general framework of free trade, while much of the post-war industrialization has taken place within a general framework of economic isolation. In other words, pre-war industrialization was based on the principle of the international division of labour while post-war industrialization has in many cases only been made possible by contracting out of the competitive world market, and has not been established on a division-of-labour basis. But in this form the answer is over simple. New inventions, new enterprise, newly developed areas are always modifying the existing channels of commerce, replacing old methods by new ones, creating new customers, or transferring old customers to new suppliers. This change is normal, is in fact the spring of progress, and a return to pre-war conditions is inconceivable.

On the other hand, it is suggested, there are certain instances of degrees of agrarian protection, certain artificially fostered industries, a disparity between the income and purchasing power of the industrial populations and the agricultural populations, which are incompatible with a smooth working

of the world economic machine. The chief single cause for the crisis of maladjustment from which we are still suffering is the rapidity with which, following the war, debtor countries were converted into creditor countries, and *vice versa*, without there having been time for the general structure and orientation of their whole productive and commercial activities to become gradually modified in accordance with this change. This change is reflected most clearly in the figures of the post-war period balances of payments for the U. S. A., Great Britain, France and Germany, to quote four leading countries only. The maladjustments so occasioned can be rectified only by full implementation of the demand formulated by the International Chamber that Government policy in all countries should conform to the principle that "the movement of goods be allowed in settlement of obligations whether arising out of trade or otherwise ". The acceptance by creditor countries of all payments in goods and services means that they will have what is known by the unhappy and misleading term of an "unfavourable" balance of trade. The result on debtor countries would be an increase in their export,—and later in their import-trade, accompanied, in the creditor countries, by larger receipts on account of interest, a restoration of the capital market, greater financial liquidity, and cheaper credits. The greater absorption of imported goods by creditor countries and the concurrent resumption of international lending would have a double effect: it would weaken existing barriers to trade and strengthen currencies. Weakening trade barriers means the progressive abolition of quotas, the lowering of customs tariffs, and the liquidation of misdirected investments in production or other branches of economic activity. Strengthening currencies means the abolition of foreign exchange control and other measures which are now impeding the free circulation of capital.

INDIA.

As usual, His Excellency the Viceroy gave a survey of the economic conditions in India when he addressed the annual meeting of the Associated Chambers of Commerce at Calcutta, in the middle of December. His Excellency noted some indications of a gradual movement towards economic recovery in India, stating that " the steady decline in the general level of prices which commenced in the latter part of 1929 has now definitely ceased and an upward tendency appears to have set in. There is evidence also that the disparity between the prices of agricultural and of manufactured commodities, which has so seriously affected the purchasing power of the great mass of the people of India, is now less marked than before and that a more balanced price relationship is probably within sight."

According to the price index numbers compiled by the Labour Office of the Government of Bombay, the wholesale price index number for Bombay, on the basis July 1914 equal to 100, was 100 in October 1935, thus being the same as in pre-war period. It was five points higher than in October 1934, but 45 points lower than the average for 1929, when the downward trend started. The rise was largely in agricultural commodities. Items grouped as "all food" showed a betterment of 3 points over 1934; oil seeds improved from 100 to 148; cotton manufactures were on the other hand unchanged while other textiles improved from 100 to 108. The gap between the Food index number and non-food index number has narrowed; in 1929, taking July 1914 as basis, the

food index number was 149, the non-food index was 143 ; in 1931 while the food index number declined to 95—a drop of 54 points—the non-food index number declined by only 27 points to 116. In October 1935 the food index number stood at 103 and the non-food index number at 105. Accordingly, the hardship through a disproportionate fall in prices, felt by the agriculturist in India, who form the bulk of the Indian population, is to a certain extent relieved since the prices of agricultural commodities have moved up in more recent years, though the prices of manufactures and other raw materials have declined.

From the point of view of trade recovery, however, 1935 showed little or no progress over 1934. The balance of trade in merchandise in favour of India was Rs. 24.84 crores against Rs. 25 .02 crores in 1934, showing a small deterioration of Rs. 18 lacs, despite an improvement in prices of exportable commodities, especially oilseeds and cotton. It is evident that demand for India's products in world markets is still low and until there is an international revival of trade and a freer interchange of commodities, no material improvement can be expected. The total merchandise exports including re-exports during the year amounted to Rs. 160.69 crores as against Rs. 151.42 crores in 1934; whereas the imports of merchandise aggregated Rs. 135.85 crores against Rs. 126.39 crores in the previous year. Exports of oil seeds during the year amounted to Rs. 8.86 crores and of raw cotton to Rs. 31.82 crores as against Rs. 10.52 crores and Rs. 33.15 crores respectively in 1934. The total tonnage registered for outward shipment in 1935 amounted to 8,451,279 tons as against 7,929,879 tons in 1934 and 7,637,355 tons in 1933.

No agreements or arrangements for the expansion of trade relations between India and outside countries can be of much avail unless they aim primarily at the extension of Indian export trade. India is an agricultural country at best and like the rest of her class depends for her imports on what she can export. Judging by the figures of actual merchandise balance of trade in favour of India and taking into consideration the invisible items against India, it is evident that but for the continued outward flow of gold, even the present figure of imports would not be tenable. It must, however, be remembered that there is a natural limit beyond which gold exports cannot go, and it is apparent from the following figures that the hidden treasures will soon be exhausted if exports continue at the same pace. The total quantity of gold exported since the abandonment of the Gold Standard by the United Kingdom in September 1931 aggregates Rs. 257½ crores in value. The total imports of gold since 1901 aggregated about Rs. 542 crores and thus about 47 per cent. of the more recent imports have already been wiped out. Accordingly any increase in the imports of India can only result from concerted effort on the part of those interested in the expansion of Indian trade on their guaranteeing to buy Indian raw products, at least on a reciprocal basis like Japan, who has agreed to a minimum quota basis for imports and exports from and to India. It must be admitted, however, that India is not in the strongest bargaining position in such reciprocal dealings because with so many countries her balance of trade is favourable. India can ill afford to increase her imports at the cost of increasing her external debt which is already heavy. The following table shows the comparative decline in the external trade of India in recent years, and may serve as a guide in finding out the channels where expansion is possible.

Foreign Trade of India (Merchandise).

(in lacs of rupees).

From or To	Exports.						Imports.					
	1930.	1931.	1932.	1933.	1934.	1935.	1930	1931.	1932.	1933.	1934.	1935.
U. Kingdom ..	55,63	44,93	36,96	43,57	48,09	48,10	74,34	46,36	48,63	47,53	51,17	53,38
Br. Empire (other than U. K.) ..	37,75	25,73	24,61	21,00	20,14	23,19	16,16	12,86	10,67	10,25	10,82	10,57
Total Br. Empire .	**93,38**	**69,76**	**61,57**	**64,57**	**68,23**	**71,29**	**90,50**	**59,22**	**59,30**	**57,78**	**61,99**	**63,95**
Germany	17,14	10,89	8,68	9,40	7,60	7,77	12,94	11,29	10,44	8,69	9,74	11,45
Netherlands ..	7,58	5,55	4,12	4,31	3,10	2,52	3,43	2,35	1,76	1,86	1,31	1,33
Belgium	8,87	4,94	3,90	4,41	4,09	4,85	5,14	3,61	3,23	2,80	2,19	2,15
France	13,35	7,89	7,93	8,46	5,02	6,38	3,28	2,53	2,07	1,55	1,51	1,29
Italy	8,70	5,67	4,79	5,63	5,57	4,45	4,98	3,95	3,95	2,95	3,05	2,49
Java & Bourneo ..	3,92	2,03	1,10	68	39	42	11,95	6,24	4,94	3,17	2,16	2,26
China	17,77	7,46	4,66	4,23	2,75	2,18	3,55	2,92	3,00	2,44	1.94	1,97
Japan	26,36	17,72	11,69	13,99	21,68	21,50	16,89	13,86	19,28	16,45	19,68	21,73
Egypt	3,88	1,94	1,26	1,16	2,84	2,10	1,33	2,32	1,27	58	1,21	1,95
U.S.A.	24,77	14,74	10,15	13,63	12,40	15,33	15,16	14,39	11,42	7,21	8,49	8,97
Other Foreign Countries ..	26,06	15,96	14,77	13,58	14,33	15,61	15,61	13,01	12,99	10,56	13,16	13,31
Total Foreign Countries ..	**1,58,40**	**94,79**	**73,05**	**79,48**	**79,77**	**83,11**	**94,26**	**76,47**	**74,35**	**58,26**	**64,44**	**68,90**
Total of all Countries ..	**2,51,77**	**1,64,55**	**1,34,63**	**1,44,05**	**1,47,99**	**1,54,40**	**1,84,76**	**1,35,69**	**1,33,65**	**1,16,04**	**1,26,43**	**1,32,85**

Percentage Share of different Countries in the total Trade of India.

From or To	Exports.						Imports.					
	1930.	1931.	1932.	1933.	1934.	1935.	1930.	1931.	1932.	1933.	1934.	1935.
U. Kingdom ..	22.1	26.7	27.5	30.2	32.5	31.15	40.2	34.2	36.4	41.0	40.5	40.2
Br. Empire (other than U. K.) ..	14.9	15.7	18.3	14.6	13.6	15.01	8.8	9.5	8.0	8.8	8.6	7.9
Total Br. Empire.	**37.0**	**42.4**	**45.8**	**44.8**	**46.1**	**46.1**	**49.0**	**43.7**	**44.4**	**49.8**	**49.1**	**48·1**
Germany	6.9	6.6	6.4	6.5	5.1	5.1	7.0	8.3	7.8	7.5	7.7	8.6
Netherlands ..	3.0	3.4	3.1	3.0	2.1	1.7	1.8	1.7	1.3	1.6	1.0	1.0
Belgium	3.6	3.0	2.9	3.1	2.8	3.1	2.8	2.7	2.4	2.4	1.7	1.6
France	5.3	4.8	5.9	5.9	3.4	4.1	1.8	1.8	1.6	1.3	1.2	0.9
Italy	3.5	3.4	3.6	3.9	3.8	2.9	2.8	2.9	3.0	2.5	2.4	1.9
Java & Bourneo ..	1.5	1.2	0.8	0.5	0.3	0.3	6.4	4.6	3.7	2.7	1.7	1.7
China	7.1	4.6	3.5	2.9	1.9	1.4	1.9	2.1	2.2	2.1	1.5	1.5
Japan	10.5	10.8	8.7	9.7	14.6	13.9	9.1	10.2	14.4	14.2	15.6	16.4
Egypt	1.5	1.2	0.9	0.8	1.9	1.4	0.7	1.7	0.9	0.5	1.0	1.5
U.S.A.	9.8	8.9	7.5	9.5	8.4	9.9	8.3	10.7	8.6	6.2	6.7	6.8
Other Foreign Countries ..	10.4	9.7	10.9	9.4	9.6	10.1	8.4	9.6	9.7	9.1	10.4	10.0
Total of Foreign Countries ..	**63.0**	**57.6**	**54.2**	**55.2**	**53.9**	**53.9**	**51.0**	**56.3**	**55.6**	**50.2**	**50.9**	**51.9**

Owing to the continued export of gold throughout the year, Government were able to adjust their ways and means position with ease. Gold exports remained the principal mainstay of the sterling exchange market and Government were enabled to buy large amounts of sterling at favourable rates from the open market almost uninterruptedly throughout the year.

The opening balance with the Government of India in the Home Treasury amounted to £ 15.7 million on April 1, 1935, and they remitted £ 23.235 million through open market purchases from April to December 1935. From April 1, the Reserve Bank of India took over the management of the Currency Department of the Government of India and took upon itself the obligation to supply Government with its sterling requirements. Accordingly the Reserve Bank of India invited weekly tenders for sterling from the 1st of April with an opening balance of about £9 million in hand. The total requirements of the Government of India for the Secretary of State's disbursements in London are estimated at £ 26.7 million for the fiscal year 1935-36; thus leaving out of account the remittances that may be made during the last quarter of the fiscal year, the surplus sterling balance left in the hands of Government was about £ 13 million at the end of December, and should prove useful whenever remittances in the open market are not easily available at favourable rates.

With regard to the ways and means position, Government had less frequent recourse to the Imperial Bank and the Reserve Bank of India for temporary advances. The Reserve Bank took over from the Imperial Bank of India the management of Government banking resources from the 1st of April. Their maximum debt under this head with the Imperial Bank was Rs. 9 crores on January 4, but this was completely liquidated on March 8. Thus Government started with a clean slate with the Reserve Bank of India and kept it so until they borrowed Rs. 1 crore on November 1, and at the end of the year, the debt under this head amounted to Rs. 2 crores. Government use this facility largely in order to adjust the difference between Treasury Bill maturities and renewals from week to week, and occasionally to fill the gap between revenue returns and public expenditure. Since, however, Treasury Bill maturities and renewals largely coincided and offset each other, the necessity to use the facility was less insistant.

Government borrowing through Treasury Bills remained the usual feature throughout the year, except for two short intervals from March 12 to April 15 and from July 16 to September 2, when the sale of three months' Bills was suspended, on the first occasion probably to facilitate subscriptions to the capital of the Reserve Bank of India in connection with which a prospectus was issued in early March and on the second occasion probably to facilitate the floatation of a New Rupee Loan in India, a communique in connection with which was issued on July 30. Government were able to sell weekly large amounts of these bills regardless of the export season, when money is usually in good demand and the supply of surplus funds low. There was such a good demand for intermediate bills whenever offered, that Government reserved the right to suspend their sale without previous notice and actually exercised this option on several occasions. While weekly tenders were invited throughout, excluding the two occasions mentioned above, the sale of intermediate bills was introduced only late in the year on September 18, and that too, was suspended from October 15, right upto the end of the year. The uncertain European political situation helped to divert a large proportion of surplus funds to short term investment of this class, and this was the main cause why Government were able to borrow so freely and at very cheap rates, even on

the eve of the export season. An additional cause for ample funds was the large sums released through maturing 1935 loans, the fresh loan issued being small and absorbing only a portion of the freed funds. As in the previous two years, the only class of usance issued was the three months' Treasury Bills. The total amount of Bills sold during the year aggregated Rs. 76.79 crores compared with Rs. 103·82 crores in the previous year, and Rs. 202.93 crores in 1931, when they reached their peak both in respect of amount and the average return on them, which was about 6 per cent. compared with 1.3% during 1935. Unlike 1931, Government almost dictated their rate of interest in 1935 and varied it from time to time to suit their requirements. The highest rate paid was 2% and the lowest .73%. Treasury Bills had little influence on money rates, since other counterbalancing factors were almost absent. At the end of the year the outstanding bills amounted to Rs. 27.87 crores as compared with outstanding Rs. 25.35 crores at the end of 1934. The Finance Member in his budget speech anticipated that outstanding bills would be Rs. 46 crores at the end of the financial year 1935-36.

Turning to the long-term borrowing programme, Government had everything their own way, and but for the slightly adverse effect of the European political situation they would have fared still better. Even so the ease with which Government were able to borrow both in London and locally and the low rate of interest paid at both ends, is a sufficient testimony that the Government credit stood higher than ever.

Government, had the option to pay off the 6% India sterling bonds 1935-37 on the 15th October on three months' notice and exercised it, issuing a 3% 1949-52 conversion loan for £10 million. The outstanding 1935-37 6% bonds amounted to £12 million. Government had sufficient balances on hand to meet the maturing loan, but since money was freely offering and probably with a view to keep adequate sterling balances, thereby strengthening the position of the Reserve Bank at the start, Government decided to take advantage of the existing monetary situation. The loan was a phenomenal success, only 14 per cent. of applications over £500 being allotted.

In India, there were three maturing loans; 5% 1935 bonds amounting to Rs. 11.43 crores; 6½% Treasury Bonds amounting to Rs. 16.10 crores and 6½% Bombay Development loan amounting to Rs. 9.38 crores *i.e.* a total of Rs. 36.91 crores altogether. Government did not, however, need to borrow the full amount by long term loans to repay the maturing bonds, since they had some surplus funds, and besides, borrowing by Treasury Bills was easy and cheap. Government issued a 3% 1951-54 loan at Rs. 96-8 on July 30, to the extent of Rs. 15 crores, giving preference to the holders of 5% 1935 Bonds and 6½% Treasury Bonds to convert into the new loan as per terms mentioned in another part of this report. Government offered a slightly better return than on their sterling loan issued a little while earlier, owing to the fact, that the political situation in Europe had worsened in the interim, thereby adversely affecting gilt-edged. The loan was a phenomenal success just the same, the list closing within 20 minutes of opening.

Government paid the maturing Bombay Development loan amounting to Rs. 9.38 crores on November 1; thus while they paid Rs. 37 crores during the year in India, they borrowed only Rs. 15 crores. This probably explains the increase in outstanding Treasury Bills at the end of the year, which amounted to Rs. 27.87 crores as compared with only Rs. 8.51 crores on May 24.

It may be remarked here that there are no loans maturing in India in 1936 and 1937, though there is a 5½ per cent. sterling loan amounting to £16.85 million which Government have the option to repay on July 15, 1936, by giving 3 months' notice. It is undoubted that Government will exercise this option of repaying the sterling loan. Since however, there are no sterling loans due until 1942, and no Rupee loans to repay till 1938, Government may meet the repayment of sterling loan by internal borrowing rather than external. Government may also take advantage of the cheap money rates while they last and borrow moderate amounts on long term with a view to the extension of expenditure on capital works programmes.

With economies effected in interest charges by cheap borrowing and continued trade recovery though slow and gradual—the budgetary position of the Government of India is satisfactory. The revenue receipts for the 9 months have exceeded the budgeted estimates. The receipts from Customs are encouraging and the realisations under this aggregate Rs. 41.92 crores in the 9 months against the budgeted figure of Rs. 51.92 crores for the fiscal year 1935-36. Railway figures, however, show no betterment and no contribution may be expected from this source to general revenues. Partial relief was given to the tax-payer by a reduction in the income tax surcharge by ⅛ last year, and it is to be hoped that the Finance Member, Sir James Grigg, will go a step further in his budget proposals for 1936-37 by completely removing the surcharge. The claim of the tax payer is now all the stronger since the return on his earning assets is gradually declining and the emergency cut in the salaries has already been fully restored. It is a matter of regret that Sir James Grigg's first finance bill was found unacceptable to the Assembly and had to be certified by H. E. the Governor-General in Council. It is sincerely to be hoped that the finance bill for 1936-37 will be such as will be readily accepted by the Legislative Assembly.

Government of India have acquired the services of an expert in the appointment of Sir Otto Niemeyer to carry out an investigation into the budgetary position and to consider the financial adjustments necessary under the reformed constitution. Furthermore, several officials from the provinces are being trained with the Government of India with a view to properly directing the finances of their respective Provinces under the new regime.

A Committee of experts was appointed during the latter part of the year to recommend changes in the existing Income-Tax Act and the programme of the Committee was announced on November 7. It is sincerely to be hoped that among several important changes that are necessary to be made in the existing act, the following change will receive the special attention of the committee. As at present, losses incurred in business in any year are not allowed to be carried forward to the following years. This rule is very hard and objectionable and should be removed. The losses should be allowed to be written off from profits of the following three years at least if not six years as is the case in the United Kingdom.

The year opened with the signing of the Indo-British Trade Pact early in January which is supplementary to the Ottawa Agreement. The pact contains a few principles binding on H. M. Government and the Government of India ; in addition the pact also contains definite undertakings. The agreement recognises the necessity of safeguarding Indian industry from dumping and also takes into consideration the revenue-earning point of view. Article II of the pact states that " under

the existing conditions, import duties constitute an indispensable element in the revenues of the Government of India and that revenue considerations must be given due weight in fixing the level of import duties." It is also mentioned in Article III that " this understanding shall not apply to safeguarding industries under the Safeguarding Act of 1933." Article III further states that " the Government of India undertake that protection be afforded to such industries only as after due enquiries by the Tariff Board have in the opinion of the Government of India established the claim thereto." And in sub-section (2) of the same Article they further undertake " that the measure of protection to be afforded shall be only so much as and no more than will equate the prices for similar goods to fair selling prices for similar goods produced in India." It is added that " wherever possible, having regard to the provisions of this article, lower rates of duty shall be imposed on goods of the United Kingdom." And sub-section (3) further stipulates that " such differential margins shall not be altered to the detriment of the United Kingdom goods."

Article IV recognises the right of the British manufacturer to appear before the Indian Tariff Board during its examination of claims to substantive protection, but also contains an undertaking of the Indian Government that in the event of "any radical changes in the conditions affecting protected industries during the currency of the period of protection, they will on the request of H. M. Government, cause an enquiry to be made as to the appropriateness of the existing duties from the point of view of the principle laid down in Article III."

The last three articles of the Pact refer to the import of Indian cotton and pig iron into the United Kingdom and to the imports of the manufactures thereof from Great Britain. Article V says that H. M. Government undertake to continue the use of all possible efforts to stimulate the consumption of Indian cotton in all possible ways.

A special enquiry was instituted by Tariff Board into the cotton textile industry of India during the latter part of the year as the Mody-Lees Pact accepted by Government is due to expire. A Trade Delegation from Lancashire came to India in November to present Lancashire's case before the Tariff Board. The hearings of the Board were concluded by the end of the year and the recommendations are awaited with keen interest by the commercial community. The Indian Cotton Textile Industry, particularly in Bombay, is hard hit by outside competition and it is hoped that the existing protective duties will not be altered to the disadvantage of the Indian manufacturer.

Government have after long last moved to amend the Indian Companies' Act. A special Officer was appointed to study and report on the deficiencies in the existing Act early in the year. The report, however, has not yet been published, but a committee was appointed towards the end of the year to receive evidence from representatives of public bodies. It is not understood why a matter affecting the general commercial community has not been given wider publicity and the general public offered a chance to offer criticisms and suggestions on the report preferred to Government by the specially appointed expert officer. It is, however, to be hoped that the Act will be thoroughly overhauled in the light of existing conditions and that the interests of shareholders will be safeguarded. We take this opportunity of reiterating once again the futility of the

continuance of the existing managing Agency system and we hope that the New Act will debar the floatations of new companies under Managing Agents.

Looking to actual industrial conditions during the year, in the terms of His Excellency the Viceroy's address, the progress of industrial development has been well maintained in spite of the general depression. The Cotton Textile Industry, which is the premier industry of India, however, cannot claim to have progressed, judged by profits particularly in the City and Island of Bombay. This is partly due to outside competition and partly to top-heavy management expenses. Fortunately no trade disputes occurred and a favourable atmosphere obtained for the progress of the industry.

A new Indo-Japanese trade treaty is to be made in March 1937. It is expected that official conversations may open next September. Japanese piecegoods merchants and Japanese businessmen generally are busy preparing their side of the case for a favourable revision of the treaty and Indian business men must not be one wit behind any such activity.

It may be hoped that the new treaty will be made on reciprocal basis for maximum mutual benefit and will cover a wider field and not only the Cotton Textile Industry.

Taking the country as a whole, fair progress was made towards recovery. The total number of mills in India increased from 352 to 365, though there was a net decrease of one mill in Bombay City and Island. Out of the 365 equipped mills in the Country, 28 were completely idle during the year. Of these 28 mills, nine were located in Bombay City and Island.

The total number of spindles in the equipped mills of the Country now stands at 9,686,000, an increase of 72,000 during the year. The total number of looms is 198,867, an increase of 4,000 during the year. In Bombay City and Island, the number of spindles fell from 31.7 lakhs to 29.9 lakhs, and the number of looms from 70,000 to 68,000. The total paid-up capital of the industry on August 31, 1935, amounted to Rs. 39.47 crores, an increase of Rs. 25 lakhs compared with last year. In Bombay, the total paid-up capital of the industry fell by Rs. 52 lakhs to Rs. 12.80 crores.

The index number of the wholesale market prices of cotton textiles advanced by one point over that of last year, from 95 in December 1934 to 96 in November 1935.

Jute :—The jute industry progressed well during the first 6 months aided by the scheme of jute cultivation restriction during the 1935 season and the announcement by the Government of Bengal of its intention to continue the voluntary restriction scheme during the 1936 season on similar lines. Judged by the share values and the dividends paid, it was safe to predict that the industry was on the way to recovery. The average increase in the values was 12 per cent. during the early part of the year and 90 per cent. since the end of 1932. The demand for jute products increased so much, that the Committee of the Jute Mills Association decided in April to increase the production by opening 5 per cent. of the sealed looms from August. In the latter half of the year, however, the industry was faced with problems affecting its future progress. The limitation scheme had been so successful that a number of non-member mills took advantage of the favourable situation and worked without restriction, thereby enabling them to compete with the member mills. The Association being unable to control the activities of the non-member mills, appealed to Government to give

legislative sanction to the scheme of limitation of production. Government did not consider it prudent to adopt such a course and His Excellency the Viceroy in his address to the Associated Chambers of Commerce at Calcutta referring to the difficulties of the jute industry, remarked that "Government were unable as yet to see eye to eye with the Jute Mills Association on the subject of restricting output, but they were ready to consider any sound proposal that might be put forward for assisting the industry to reach a strong and more stable position."

In the meantime the Association has given notice to its members and non-members who had accepted the restriction scheme, that the scheme of restriction would stand abrogated from April 1, 1936, thereby opening the way to unrestricted competition. A deputation of the Association waited on the Commerce Member of the Government of India on December 19, and the whole question was discussed at full length. In view of Government's attitude negotiations are going on between the Association and non-member mills to reach some amicable arrangement in keeping with the welfare of the industry as a whole, and it is earnestly hoped that some working arrangement will be arrived at to the benefit of the industrial community at large and to maintain unimpaired the monopolistic position enjoyed by the industry.

Sugar :—The sugar industry maintained its own with the help of protection. Despite the payment of large sums in the shape of excise duty on factory-produced sugar, the profits of most of the mills were maintained. Some of the factories destroyed by the earthquake disaster in North Behar last year, were rebuilt and worked at a normal pace. Sugar factories which were originally concentrated in the U. P. and Behar and Orissa are now extending to other localities, particularly in the Presidency of Bombay and in the South. The total number of factories in India making sugar out of cane is 150 compared with 142 in 1934-35 and 31 in 1930, when the industry made its first appearance. The total production for the year 1935-36 is estimated at 1,100,000 tons and is thus far in excess of the average total consumption of sugar in the country for the last three years, *viz.* 900,000 tons. It is, however, believed that with the increased purchasing power of the masses the sugar consumption will increase beyond the pre-depression average which stood round 1,200,000 tons per year. During the last quarter of the year the Government of India promulgated a set of rules under the Sugar Protection Act, calling upon the industry to submit to the sugar technologist certain statistical information relating to the cost of production. This is probably required so as to keep an eye on the profits of the industry, so that when the question of a renewal of protection comes before the Tariff Board, the claims of the consumer may be given their proper recognition. While we favour the grant of adequate protection to the new industries, we are certainly opposed to such protection being continued at the expense of the consumer for the benefit of only a few who may happen to be the lucky managing agents or shareholders or be otherwise sharing the profits of the industry.

Iron and Steel :—The industry has made continuous progress since the grant of special protection and this is assured to the industry under the Iron and Steel Duties Act, 1934 up to March 31, 1941, except under certain special circumstances. The Tata Iron and Steel Co. which is the biggest steel concern in the country, has shown remarkable progress during the past 2 years and by stringent economies and reorganization has been able to wipe off a large proportion of its preference

dividend arrears. The production figures of the company are a testimony to the progress made. The following table may be found interesting :—

Tata Steel Works Production.

(*in tons*).

	Pig Iron.			Steel Ingots.			Finished Steel.		
	1933.	1934.	1935.	1933.	1934.	1935.	1933.	1934.	1935.
January	71,000	75,400	83,700	58,640	63,700	82,000	40,600	46,500	48,000
February	47,864	70,800	70,790	46,439	58,750	70,800	39,731	45,200	46,200
March	58,470	78,000	78,900	52,616	68,280	68,170	34,747	49,800	54,400
April	57,249	73,100	76,000	50,430	62,500	66,600	36,200	40,600	48,800
May	52,200	74,100	64,100	50,250	63,800	61,000	41,400	49,800	51,100
June	53,900	71,600	58,700	52,300	64,500	60,800	40,200	48,800	49,400
July	74,700	66,950	72,900	70,700	67,650	74,300	47,700	52,650	48,200
August	74,400	67,800	77,200	61,470	72,950	76,000	44,200	47,900	53,300
September	70,650	67,900	76,100	56,800	61,560	74,750	41,700	51,100	55,800
October	80,000	80,740	82,500	69,000	73,200	73,270	45,000	55,800	56,400
November	73,700	72,550	78,000	61,700	70,400	74,250	45,400	48,400	56,100
December	80,500	83,400	79,100	63,700	70,500	80,350	48,100	60,800	60,500

The demand for the Indian manufactured steel is increasing rapidly and it is being seriously considered in certain quarters whether there is not scope for the formation of another big steel corporation in the country. Actually a new rolling mill has been installed in Bengal with a production capacity of 60,000 tons.

Cement Industry :—Under the leadership of the Cement Marketing Board this industry has continued its steady progress and is considered to be well set. A movement was set on foot during the latter part of the year, sponsored by some of the existing cement interests, to form a merger company, grouping the existing cement companies in the country. Good progress is reported to have been made in this direction and it is most desirable that the scheme would materialise in the near future and not fizzle out like the cotton mill amalgamation scheme which was seriously discussed some years ago.

Earthquake Disaster:—Hardly was the terrible earthquake disaster in North Behar of last year forgotten than a similar tragedy occurred in Quetta when an earthquake razed the town to the ground on May 31, resulting in a heavy death roll. The town was immediately evacuated and salvage work has been in progress since. Much property has been salvaged and restored to its owners and the question of reconstruction of the town is engaging the serious consideration of the Government. In the forthcoming budget provision will have to be made for the purpose and it is estimated that the total cost will extend to several crores to be spread over a period of years.

Political Conditions:—The political field presented an appearance of relative tranquillity after the hectic disturbances of the non-co-operation and civil disobedience movements. The outstanding event of the year was the final passage of the Government of India Act after the prolonged inquiry and discussion of that great and complicated measure. Several Committees were set up immediately on the passage of the Bill to delimit constituencies ; the functioning of the Secretariat

in the new Central Government and ancillary matters. The problems arising from the separation of Burma from the Indian Empire have been relieved by an agreement on the question of trade and emigration governing conditions for the period immediately following separation. The ground is being rapidly prepared for the establishment of Provincial Autonomy, with responsible administrations, early in 1937, and for the setting up of the Federal Constitution at the Centre as soon thereafter as a sufficient number of the Indian States complete their adhesion.

All reasonable people in India recognise the breadth and comprehensiveness of the new Constitution. They welcome the wider unity of India arising from the inclusion of the Indian States with British India in a federal government; the establishment of responsibility with safeguards in the Centre; and the setting up of Provincial Autonomy. Unfortunately, with these merits, the constitution does not meet the other purpose which should have been held in view—the enlistment of a sufficient measure of goodwill to furnish it with the driving force of popular approval. Criticism centres particularly on the multiplicity of " safeguards " which impairs the measure of responsibility conferred on the Federal Government, and on the absence of any specific provision leading to the attainment of full Dominion Status for India. No constitution will meet the aspirations of even moderate men in India which does not place the Indian people substantially in command of their own policies and which does not guarantee them their equal place in the British Commonwealth of Nations. But to say this is not to imply that the new Constitution should be boycotted, and that the country should be committed afresh to the barren policy of negative obstruction. But rather that the Constitution, with its defects, should be accepted as an instalment towards full responsibility; worked with the single purpose of the better government of India; and in this way lead rapidly to the full realisation of the ambitions of the people of the land.

Reserve Bank;—The Reserve Bank of India Act was passed by the Legislative Assembly in March 1934 and the Bank began to function from April 1, 1935. Subscriptions to the share capital were invited in mid-March and except for one or two Provinces, the applications were far in excess of the quotas fixed and the applicants had to be rationed on the basis of five shares to an applicant by drawing lots.

From April 1, the Reserve Bank took over the management of the Currency Department of the Government of India by the creation of a special department known as the Issue Department. The assets of the Gold Standard Reserve were transferred to the Bank and were combined with the assets of the Currency Department. From July 1, the Banking Department was opened and the scheduled banks deposited the required percentage of their demand and time liabilities. The Clearing House was transferred from the Imperial Bank to the Reserve Bank as from this date.

The Reserve Bank has started under monetary conditions that make it difficult to gauge properly its utility as the central credit and currency institution of the country. It is, however, expected that when the situation becomes more normal, it will carry out the desired objects of such an institution to the best advantage of the trade, industry and commerce of the country as a whole.

The scheduled banks being required under the Act, to submit a weekly statement of their demand and call liabilities, these may be found useful additional guide to the seasonal changes in the financial requirements of export and import trade.

Money:—The most noteworthy feature in the money market was a reduction in the Reserve Bank rate from 3½ per cent. to 3 per cent. from November 28, the higher rate having remained in force since February 16, 1933. It was a good augury for the Reserve Bank and unique in the monetary history of India for the Bank rate to be reduced on the eve of the export season. Normally the Bank rate is raised to higher levels beginning in November or December. It may be pointed out that never has the Bank rate stood at 3 per cent. in the history of the Imperial Bank of India, though prior to 1915, the advance rate of the Bank of Bombay was generally lowered to 3 per cent. every year during the monsoon season. The reduction in the Bank rate to 3 per cent. was probably prompted by the consideration that the gap between the open market call rate and the Bank rate was far too wide, but even the 3 per cent. rate proved hardly effective, the gap remaining unchanged.

The money market was so well adjusted throughout the year, that no real pressure was felt at any time, despite the fact that Indian trade is extremely seasonal in character. Even on the eve of the export season, which usually begins in December, money was available at about 1½ per cent. for six months deposits, which period covers the entire Indian export season.

This easiness in money is partly the result of the cheap money policy prevailing all over the world and is partly due to the sound and careful management of state finances achieved during the regime of Sir George Schuster as the Finance Member of the Government of India and thereafter fostered by his successor. Government were able to adjust the money market position by changing from time to time their borrowing policy against Treasury Bills to suit the needs of the market and their monetary requirements. The continued export of gold enabled the market to receive a large supply of funds through sale of sterling to Government. The total amount of gold exported during the year aggregated Rs. 44 crores. Furthermore, funds released through maturing 1935 loans and interest payments on existing loans were far in excess of fresh borrowing by Government. This excess is estimated at about Rs. 35 crores. With about Rs. 80 crores of extra money and no improvement in the total volume of internal as well as external trade, money could not but remain cheap and plentiful.

During the first two months of the year, there was a small trade demand keeping money rates around 3 to 3½ per cent. On March 7, Government expanded currency to the extent of Rs. 3 crores against sterling assets, which relieved the situation, but money was still quoted at about 3 per cent. upto the beginning of April when the downward trend began, barring spasmodic rise on occasions. Thereafter money began to get easier and ranged between 1½ to 2 per cent. During the last quarter inter-bank rates were quoted around ¼ per cent. to ½ per cent.

Treasury Bills formed an attractive outlet for money throughout the year. Tenders were invited weekly except for short periods on two occasions and the Government sold Rs. 76.79 crores of three months Bills including sales of intermediates. The average rate of acceptance ranged between 2 per cent and. 73 per cent. and the average rate for the year was 1·3%. The amount of weekly tender was reduced from Rs. 1½ crores to Rs. 1 crore from March 5, and the sale of intermediates was stopped as from February 27. From March 12, the sale by weekly tenders was also suspended, but was resumed from April 16. The sale was again suspended from July 16, but

was resumed from September 3, when tenders for Rs. 2 crores were invited weekly upto the end of the year. The sale of intermediates was reintroduced from September 18, but stopped from October 15.

The changes in notes in circulation and reserves during the year were due to normal trade conditions. Only on March 7, currency was expanded to the extent of Rs. 3 crores against sterling assets, increasing thereby the securities held in London for a like amount. The minimum of notes in circulation amounted to Rs. 182.85 crores on February 15, and the maximum to Rs. 194.96 crores on November 29. Owing to the amalgamation of the assets in the Gold Standard Reserve and in the Currency Department, on the Reserve Bank of India taking over the management of the Currency Department of the Government of India, there were important changes in the constitution of reserves. Rupee coins held were reduced from Rs. 77.25 crores to Rs. 50 crores. Sterling securities increased from Rs. 18.27 crores to Rs. 48.63 crores and rupee securities from Rs. 35.89 crores to Rs. 43.05 crores. The ratio of total assets to liabilities was 50 per cent.

Gilt-edged :—The monetary situation which is the principal barometer of the gilt-edged market was encouraging throughout, but the European political situation beginning with the German attitude on the question of armaments and ending with the actual breaking out of Italo-Abyssinian hostilities, marred the otherwise favourable progress of gilt-edged all over the world. Internal conditions also affected the market. At the beginning of the year it appeared as though gilt-edged would rise much higher owing to abundance of money coupled with relatively slack demand from trade channels and lack of confidence in industrial investments. At the close, however, the outlook is uncertain owing to the political situation ; but should the Italo-Abyssinian conflict be concluded speedily, a revival in gilt-edged may be expected.

The market in India has been glutted with idle money. Large exports of gold which aggregate Rs. 257.5 crores since September 1931, are largely responsible for the present local monetary situation, although the world wide cheap money policy is also an important contributory factor. Furthermore, during 1935, the market received a surplus of about Rs. 35 crores through maturing loans and interest receipts on existing loans. Government borrowed in twenty minutes Rs. 15 crores at 3 per cent. repayable in 1954 with an option to redeem in 1951. They further raised a sterling loan for £10 million also at 3 per cent. with almost the same maturity. Both the loans were raised for purpose of conversion of maturing loans. The quick response and the cheap rates of borrowing are a clear indication of the inner feelings of the investors towards gilt-edged and further are a proof positive of the high standard of credit which India enjoys both within and without.

In the local gilt-edged market, two crisis occurred, the first following the announcement of the German Government about Air armament in March which initiated similar militaristic measures by other European states; the second following the Italo-Abyssinian conflict in September. On the first occasion 3½ per cent. Paper broke by about 10 points to under Rs. 89, with a proportionate decline in other securities. 3½ per cent. Indian sterling stock declined at the same time from £98 to £92¾. On the second occasion the Stock Exchange authorities closed forward trading in securities from September 13, and the price of 3½ per cent. Rupee Paper which had improved after the

set-back of April, to Rs. 95-9 in July declined to Rs. 87-3 in the first week of October. 3½ per cent. India sterling stock which had advanced from £ 92¾ to £ 99 during the same period declined to £ 92. Towards the end of the year, there was a considerably improved sentiment in the market, but investors were still hesitant. 3½ per cent. Rupee Paper was again quoted at Rs. 96-8 at the close and forward trading was allowed to be resumed as from November 23.

Sterling Exchange:—Currency instability and wide fluctuations in foreign exchanges continued throughout the year and the prospects of stabilisation are remote, particularly with the political horizon obscure. While the fluctuations in the exchanges of the gold standard countries were naturally confined within their natural limits of the two defined gold points, the variations between the exchanges of the gold and non-gold countries were wide, as may be judged from the variations in the sterling price of gold which ranged between 149*s.* 4*d.* and 139*s.* 9½*d.* per ounce, *i.e.*, nearly 6.8 per cent. The rupee being linked to sterling, it varied in the same proportion as sterling in terms of gold, but as between the two currencies the variations were almost negligible, and it is the variations in the second group that are of practical importance. This is because the Indian trade balance is adjusted through sterling, all public and private debts are incurred and repayable in sterling and the Government of India has to pay the Home Treasury charges in sterling.

The normal demand for trade remittances being met out of exports, the extra cover provided by the almost uninterrupted outflow of gold tended to keep rupee sterling exchange steady. Furthermore, unlike last year there was complete absence of propaganda against the 1*s.* 6*d.* ratio and speculators interfered little with the natural movements in rates. The average rupee sterling rate for the year was 18.0925*d.* for telegraphic transfers. Government were enabled by the large exports of gold to buy freely their Home requirements in sterling in the open market at advantageous rates. Against the budgeted requirement of £ 26.7 million, Government actually remitted £ 23.235 million during the nine months, ending December. However, as pointed out earlier in this report, this facility should be regarded as only temporary as there is a natural limit beyond which gold exports cannot continue. Furthermore, with silver prices down to their natural level and with the import duty on the metal reduced to a more reasonable level, there is likely to be a fair import of the metal, thereby partly offsetting gold exports. The visible merchandise balance in favour of India is only Rs. 24.84 crores and is just about equal to Government's annual Home disbursements. If the visible balance of trade does not improve and the inevitable falling off in gold export occurs, it is obvious that Government will have to resort to other sources to meet their commitment to the Home Treasury in the not distant future.

Gold:—The remarks in our last annual report that " in the world to-day we have, in effect, some sort of gold standard, plus a comparatively stable sterling standard and as, a doubtful free lance, a dollar standard ; and both the present and future relations of the off-gold currencies to gold are vague ", apply with equal if not greater force to the year 1935. The price of gold in terms of sterling continues to be measured by the extent of fluctuations between the gold currencies and sterling, and the day to day price is determined by the gold currency which is the most expensive as against sterling. During the year Belgium devalued its currency by 28 per cent., while the remaining important gold standard currencies were in perpetual danger of devaluation. The French franc and the Dutch

guilder had to stand the onslaught of speculators throughout the year, and on several occasions it looked as though both currencies would have to sever their connection with gold, at least from the existing level, and but for the intervention of the large equalisation funds both British and American and the undeterred faith of the French themselves in gold, this would have happened. The danger, however, is not over and even at the close of the year the three months forward French franc was quoted at a discount of about two points.

The forces at work during the past four years were also featured in 1935. Production from mines increased, thereby augmenting the total supply of gold for monetary reserves. The process of hoarding, both public and private, continued at the same pace and the scramble for gold abroad was unabated. We give below a comparative table showing how the monetary reserves of the Banks of some of the important countries changed during the past four years :—

Notes in Circulation and Gold Reserves.

(end of the year figures). *(in millions).*

Central Banks of important Countries.		1932		1933		1934		1935	
		Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.
Bank of England	£	371	120.6	391.9	191.6	394	192	460	200
Bank of France	Fcs.	85,027	83,016	82,613	77,098	83,412	82,124	81,151	66,296
Swiss National Bank	S. Fcs.	1559	2471	1466	1998	1440	1909	1366	1388
Netherlands Bank	Fls.	961	1032	911	922	912	842	809	662
Bank of Sweden	Kr.	598	206	647	259	708	285	785	407
Bank of Denmark	Kr.	312	133	343	133	386	133	383	118
U. S. Federal Reserve Bank ..	$	2735	3148	3080	3568	3215	5124	3709	7835
Reichsbank Germany	R.M.	3560	806	3645	386	3900	79	4285	82
Bank of Japan	Yen.	1061	480	1140	425	1205	465	1336	543

While there is no fear of a shortage of gold as monetary cover, particularly as its value has increased as a result of the devaluation of currencies, there is no doubt that there is a maldistribution of the gold stocks of the world, and this process is being further aggravated by the attitude of important nations on the question of stabilisation and the ultimate return to the Gold standard. Though the chances of stabilisation are remoter than ever, it may be hoped that the leading nations will, for the benefit of the higher objective, namely world trade and commerce, concert efforts to banish uncertainties from the international monetary field and remove the economic barriers which have disorganised the entire system of international commerce.

Throughout the year the reactions in the local market were in sympathy with movements in the international gold market, marred however, by an incident which had a purely local significance. On October 21, a spurious communique was issued purporting to report that Government had imposed with immediate effect an embargo on the export of gold from India and that licenses would be issued for export by the Collector of Customs, Bombay, which were to be granted on payment of a fee of Rs. 10 per fine oz. The effect of such a communique was obvious and there was a panic in the market with a drop of Rs. 3-8-0 per tola in the price of gold. The panic lasted for a few hours until doubts

were raised as to the validity of the communique, owing to the manner in which it was issued and with Customs authorities denying any such news. The Manager of the Reserve Bank of India and the Collector of Customs, Bombay, who communicated with Delhi, published statements to the effect that the communique was not only fictitious but the policy indicated was not even contemplated. In the meantime, relying upon the authenticity of the communique, there was a large turnover in the market resulting in losses to traders. The Government are conducting their investigations and although already more than two months have elapsed, the culprits have not been tracked.

This raises a technical point in the position of existing contracts. As at present, such an embargo and/or license fee would penalise the parties concerned who have contracted in good faith for forward delivery. Such contracts should receive protection at the hands of Government and be made immune from the imposition of any duty. The contracting parties may be required to give proof of the bona fides of the transactions and on satisfactory proof being given such contracts should be given the necessary protection. This will remove all apprehensions and lead to freer trade.

While there was little or no change in the price of gold during the first two months, the record level of Rs. 36-13-3 per tola was reached in March. Thereafter the market was steady, the price ranging between Rs. 34-13 to Rs. 36-12 upto June; from June onwards upto the end of the year the price varied but slightly from the level of Rs. 35 except on the day of the hoax, when it touched Rs. 31-4 per tola. The export of gold continued, though on a reduced scale. The total exports during the year were valued at Rs. 44.22 crores and at Rs. 257.5 crores since the movement began in September 1931.

Silver,—The repercussions of the Silver Purchase Act of 1934 of the U.S.A. were felt in full in all the silver countries and the principal silver markets of the world. There was an early boom in prices, then a slump and finally a crisis.

Whether the policy of the American Treasury to "rehabilitate silver", with which object in view the Silver Purchase Act of 1934 was passed, will succeed, still remains to be seen; it is undoubted that in the meantime it has led to unsettling influences in the countries using silver as a monetary unit and to chaos and havoc in the silver markets of the world. The "silver boom" which was in evidence as early as October 1934 had already affected the internal economy of the Chinese people so adversely that representations were made by the Chinese Government to the U.S.A. Treasury and then the export duty on silver from Shanghai was raised from 2½ to 10%, with a reservation to raise it further if the price of silver went higher thereby intensifying the silver drain from China.

The desire on the part of American Government to rehabilitate silver was actuated largely by political considerations. Silver producers had been agitating for a rise in price and after the advent of the Roosevelt administration their efforts were redoubled. Actually, the American Treasury bought in 1934 a little over 300 million ounces, approximately half of which was acquired by nationalisation in August. The silver protagonists were not satisfied with the volume of Treasury

purchases, and were intent on increasing the pace, evidently with the object of raising the price of the metal to the statutory level fixed, *viz.*, $1.29 per oz., based upon the old gold parity of $21.0 per oz. fine.

The American Treasury continued to acquire large quantities of silver daily in the London market, besides purchasing newly-mined American silver at the fixed price of 64½ cents per ounce, which was considerably higher than the open market price for the metal. The American silver interests were still not satisfied with either the pace of purchases or the price. According to the Silver Purchase Act of 1934, the Treasury is required to acquire silver so as to attain a monetary reserve in silver to the extent of 25 per cent, the remaining 75 per cent being in gold or until the price ratio of 1 to 16 against gold is reached, namely $1.29 per oz. of silver and the silver interests were pressing for the due fulfilment of both the objectives at a much quicker pace. Probably to placate the silver interests, and to gain the support of the silver *bloc* on other matters affecting the administrations' New Deal which was being severely criticised with several test cases filed with the U.S.A. Supreme Court, President Roosevelt announced in the second week of April that the American Treasury was raising its buying price for newly mined American Silver from 64½ to 71.11 cents per oz. with immediate effect. On April 24, a yet further increase in the price was announced from 71.11 to 77.57 cents per oz. and it was also stated that the Treasury would continue to purchase all domestic silver until the rate reached 129 cents per ounce. These successive increments in the price had the effect of putting out of gear the currencies of all silver using countries and there was a roar of protest from all quarters; South American States, particularly Mexico were hard hit, and there was a regular flight from the Mexican dollar until the export was prohibited by a Government decree on April 27, and all the silver dollars in circulation were acquired by the Government. Italy prohibited the export of silver coins, and the rise in the price of the metal was so quick and unprecedented that it was seriously considered privately what steps the Government of India would take to save the Rupee from the same fate if the American Treasury should raise the price to its ultimate level of $1.29. China was the most hard hit and although there was a complete ban on exports, owing to the heavy export duty in Shanghai, a handsome business opened for the smuggler. With the geographical and political conditions of China it was a stupendous task for the Government to stop smuggling and the drain of silver. Hongkong shipped large quantities to take advantage of the high prices ruling in the London market and weekly consignments of about 3,000 bars of Chinese smuggled silver were shipped through Japanese ports.

When the Silver Purchase Act was passed, the American Treasury never expected that their scheme would be most criticised by the silver using countries whose purchasing power it was the aim of the Act to restore. The protests were so strong and the support so poor that the American Treasury had to cry halt to their programme towards the close of the year.

In the meantime a large speculative position had been built up in all the markets and prices advanced to unprecedented levels. In London the price of spot silver reached the peak level of 36¼*d.* per oz. on April 26, while in India a quotation of Rs. 87 per 100 tolas was reached on the same date, a rise of over Rs. 20 in three weeks. The Montreal quotation advanced from 63.40 cents on April 10 to 78.30 cents on April 26.

The American Government did not buy at the higher levels and speculators becoming nervous began to liquidate heavily. The American Treasury with a view to prevent chaos in the markets and still adhere to their programme of silver purchases, acquired large quantities at the falling prices. Unfortunately every such acquisition encouraged speculators to build up fresh positions, but the American Treasury only purchased fresh silver at gradually declining rates upto the end of June.

On July 7, the American Treasury did not appear as a buyer in the London market which caused a panic and it was reported that the market was flooded with selling orders to the extent of 25 million ounces. The Treasury came to the rescue, but three hours after the usual price-fixing time in London and absorbed all the offerings. From this juncture the market grew more and more apprehensive though on all occasions the responsible officials of the American Treasury asserted publicly that there was no change in the Silver Purchase policy. Actually, the Treasury absorbed all offerings daily in London which were fairly heavy at the same price up to August 12. Traders and speculators had become a little more confident, but their confidence was again shaken by the reluctance on the part of the American Treasury to buy more silver at the same price. Values in London dropped to 29*d.* for spot on the 15th and for the first time since August 1934 the two months forward rate stood at a slight discount of 1/16*d.* From July upto the middle of August, the American Treasury was reported to have bought over 150 million ounces of silver, almost a year's world output of the metal.

The American Treasury continued its purchases in London, however, at the unchanged price of about 29-3/16*d.* per ounce, varying the quotations slightly only to counter balance any movement in the New York-London cross rate, but the difficulties in China still persisted. The heavy smuggling continued and reports were gaining ground that the Chinese Government were contemplating the abandonment of the silver standard. Actually on November 4, the Chinese Government decreed important changes in the monetary system of China and in effect nationalised immediately all silver held in the country. There was no adoption of sterling as the basis but the Shanghai dollar was unofficially linked to sterling at 1*s.* 2½*d.* per dollar. The Hongkong Government followed suit and put a ban on the export of silver in any shape or form and nationalised all silver held in the Provinces. These changes had little or no effect on silver rates, but there were strong reports that the two respective Governments were negotiating with the American Government for the disposal of the silver thus nationalised. This probably led to a change in the American Government's purchase policy and on December 9, they took the most unexpected step of refraining from bidding in the London market. This caused chaos and prices dropped heavily under selling pressure. The London market could not fix prices either for spot or for forward, there being no buyers and all sellers. The rule of the London market that all offerings at the fixed price had to be absorbed was suspended and sellers were rationed. The American Treasury declared that there was no change in their purchase programme, and that there was a change only in tactics. The Treasury had hitherto confined its purchases to the London market and used to bid every day at the fixing. From now on the American Treasury bought in different markets and invited bids for their acceptance and the sellers were probably rationed. For the first time since the American Treasury started silver purchases, India was able to sell a part of its surplus stock direct to the Treasury. Over 5 million ounces were shipped from Bombay to the U. S. A. in December.

Prices dropped daily in all the markets, the London spot price declining to 20⅞*d.* per ounce on December 24, but reacted at the close to 22½*d.* on Indian support. The New York price dropped from 65⅜ to 49¼ cents while the rate in Montreal dropped from 65.75 to 47.80 cents. The price in the local market declined to Rs. 48 per 100 tolas on December 19, improving to Rs. 55 at the close on a good offtake of ready silver. The forward rate was not fixed in London from December 9, an unprecedented situation in the history of the London market, except for the war period. The year closes with a very uncertain tone as far as the future price of silver is concerned and yet one wonders as to the ultimate aim of the American Treasury after having acquired 835 million ounces at rates much above the existing level. The Presidential elections in America are drawing near and the Silver Purchase Act having a political significance, it is most likely that some action will be taken by the administration, in the not distant future, to placate the silver interests of the States, with a view to secure their support at the forthcoming elections.

The full effects of the American policy were felt in the Indian markets. With a reduction of 3 annas per ounce in the import duty from 1st March 1935, leaving the duty at 2 annas only *i.e.*, Rs. 4-11-0 per 100 tolas, there was a greater inclination on the part of traders to hold and acquire fresh silver stocks. The American policy encouraged a large speculative business and there was a still greater impetus to acquire silver. The price touched the peak level of Rs. 87 per 100 tolas on the April 26, followed by a gradual fall to about Rs. 65 by mid-August. The stocks in Bombay mounted up to 40,000 bars. The serious drop in the price of silver caused the failure of an old established firm of bullion dealers and a state of emergency had to be declared by the Bombay Bullion Exchange authorities on the 20th and 21st August. Minimum rates were fixed by the Board, and the contracts entered into under those rates were declared null and void. On the 27th the emergency measure was withdrawn, but hardly had the market settled down from the effects of this shock than a hoax was played on the market by the issue of a spurious communique purporting to abolish the import duty. This caused a further loss to those who traded relying upon the genuineness of the communique. The market, however, got over this shock only to receive a deadly blow on the 9th of December when the American Treasury changed its policy. A state of emergency was once again declared by a resolution of the Board on December 11, fixing minimum trading rates and declaring all contracts under the minimum rates illegal. The drop in the price was so serious, ready touching Rs. 48 per 100 tolas on the 19th, that there were grave apprehensions regarding the accounts in connection with the December settlement contracts. The market faced the situation bravely and it must be acknowledged that the local dealers acquitted themselves in a most creditable manner.

At the lower level of prices there was a good demand for ready silver for purposes of investment and this helped to maintain prices in the local market between Rs. 51 and Rs. 55 per 100 tolas, with the resultant effect on the London market which was helped to fix prices for spot without the assistance of the American Treasury, which would not have been possible otherwise as was evident when the American Government withdrew from that market on December 9. The total number of bars railed up-country from December 9, to the end of the month were 5,500 and 5,000 bars were shipped to the U.S.A. The local demand was so keen that actually 1,117 bars were booked during December for shipment to Bombay from London. Available stocks in Bombay at the end of the year were estimated at 17,000

bars. Government exported 42.789 million ounces silver during the year of which no less than 27 million ounces were shipped during December. Exports on private account amounted to 22.64 million ounces and imports to about 7 million ounces.

Shares.—Activity on the Stock Exchange being an index of the prosperity or otherwise of the industries of the country, making due allowance for speculative extravagance, the local market reflected more or less the industrial conditions, prevailing in the various industries of the country. Furthermore, while world factors influenced movements in prices to a certain extent, these were at best temporary, the dominating influence still being the condition of local industry. The vagaries of the gold *bloc* had a temporarily adverse effect on the share values of the industries which were expected to suffer competition therefrom in the event of their devaluating their currenceis or abandoning the gold standard. For example, the shares of the Steel Companies dropped, whenever there were apprehensions regarding the Belga and the French Franc, while the shares of the Sugar companies suffered when the guilder was in danger. As soon, however, as the apprehensions were removed, share values moved up to their normal level. Even the actual devaluation of the Belga affected but temporarily the price of steel shares and it must be remembered that Belgium is the greatest rival of Indian steel industry. As long as the local steel industry maintains internal efficiency and the present protection continues, the danger of foreign competition even through devaluation is not serious. The same is true of sugar. So long as the present level of protection continues and the industry is organised as it is to-day, Javanese competition cannot seriously hinder the local industry and thereby the value of its shares. What is true of the steel and sugar industries in relation to movements in gold currencies, is equally true of the cotton textile industry in its relation to the price of raw cotton. Yet another group, and a more important one, is indissolubly linked with the value of money and any changes in the latter are more or less reflected in prices; this group includes bank and railway shares and those of public utility companies on a regular dividend-paying basis and preference shares of all good concerns irrespective of the type or class of industry. Money being cheap and interest rates low, the prices of shares in this group all advanced and were in good demand.

The upward movement in share values which was the characteristic of 1934, continued during the first quarter of 1935 and prices in most cases touched high levels, but these were not justified in many cases by the actual industrial progress and were a result of speculative purchase. Tata Iron and Steel shares for example advanced from Rs. 112 to Rs. 161/8 for Ordinarys and from Rs. 486/4 to Rs. 738/12 for Deferreds. Bombay Dyeings outstripped the one thousand rupee level and other mill shares advanced in almost the same proportion. Tata powers appreciated from Rs. 1,400 to Rs. 1,727/8 and Andhra Valleys from Rs. 1,666/4 to Rs. 1,840. Indian Cement gained nearly 100 points to Rs. 460, and Bundis advanced from Rs. 35 to Rs. 49. The Imperial Bank of India shares improved from Rs. 1,613/12 to Rs. 1,680 and New India Assurance shares from Rs. 42 to Rs. 50/12.

The inevitable happened in March and there was nervous liquidation, holders being anxious to realise what profit they could or at least minimise their losses. Prices fell all round, irrespective of the class, and the fall was so serious that it was apprehended that the April settlement might present difficulties. Tata Steels dropped to Rs. 140/8 for Ordinarys and to Rs. 632/8 for Deferreds.

Bombay Dyeings fell to Rs. 885 and Tata Powers to Rs. 1,535. The settlement passed off with a few small failures among the members, but the tone was healthy at the lower levels. Trading was restricted, though more confident and the market appeared to be gradually getting over the shock of the April settlement. During the latter part of July, there were signs of recovery as the force of bear attacks seemed completely spent. Prices improved gradually, but business was more of a jobbing type, the investor still being in the mood of 'wait and see'. In August, the "war scare" caused a fresh orgy of selling and prices fell again. The crisis in the bullion market also had an adverse influence. Tata Iron & Steel shares dropped, Ordinarys to Rs. 131/8 and Deferreds to Rs. 528/12. Bombay Dyeings fell to Rs. 716/4 and Tata Powers to Rs. 1,513/12. There was a further sharp break in values in September, except in the cement group, which on the contrary, recovered on reports of the merger scheme making headway. The market became panicky and the Stock Exchange authorities intervened and stopped forward transactions with effect from September 15. Certain specified scrips on the forward list were opened to cash dealings from the 24th and with a view to square business for October settlement, the Board of Directors of the Stock Exchange fixed the carry forward rates for shares on the forward list on the basis of 6 per cent. interest and extended the time for payment to the November settlement.

The market showed signs of improvement and forward trading was allowed to be resumed with effect from October 14. There was a gradual improvement in shares from now on till the end of the year except in the cotton textiles group which was neglected, owing to the absence of buyers. The tone was hesitant at the close, owing to the permanent apprehensions about the gold *bloc* and the European political situation which kept the investors from the market. The following were the closing rates for some of the important counters:—Tata Steel Ordinarys Rs. 149-12; Deferreds Rs. 585; Tata Powers Rs. 1,545; Andhra Valleys Rs. 1,640; Imperial Bank Rs. 1,575; Indian Cement Rs. 448-12; Bundis Rs. 35-14; New India Assurance Rs. 43-12; Bombay Dyeing Rs. 735; and Central India Cotton Rs. 250.

Trade of Bombay.

The aggregate value of the foreign trade of Bombay recovered, in the fiscal year ended March 31st, 1935, by an extent just sufficient to make good the ground lost in the previous year, namely, by 10 per cent. Foreign trade at Rs. 143.71 crores reached the level of the year 1932-33. During the same period the foreign trade of Calcutta improved by over 2 per cent. and that of Karachi by over 16 per cent. Imports of merchandise into Bombay increased by over 16 per cent, those into Calcutta and Karachi by nearly 10 per cent and nearly 18 per cent respectively. Exports of Indian produce advanced by over 11 per cent at Bombay, by nearly 17 per cent at Karachi, but they declined by 2 per cent at Calcutta. The total value of the private coasting trade of Bombay also increased by 4 per cent.

The percentage distribution of Bombay's trade indicates that while Japan's share increased by over 8 per cent that of the United Kingdom decreased by over $1\frac{3}{4}$ per cent.

The total amount of shipping using the Port of Bombay in the fiscal year was 59,41,438 tons against 60,78,489 tons in the previous year.

The trade statistics of the Port of Bombay for the first eight months of the current financial year show an improvement in imports as compared with the figures for the corresponding months of the year 1934-35 and 1933-34 respectively, of Rs. 3.07 crores or nearly 9 per cent., and of Rs. 7.23 crores or over 23 per cent.; but there is a decline in exports of Rs. 5.5 crores or 10 per cent. and of Rs. 2.92 crores or nearly 6 per cent.

Exports of gold amounted to Rs. 27.05 crores as against Rs. 30.51 crores and Rs. 30.98 crores and those of silver to Rs. 1.4 crore against Rs. 1.72 crore and Rs. 6.79 lakhs. Re-exports of foreign merchandise were valued at Rs. 1.65 crore as against Rs. 1.28 crore and Rs. 1.44 crore respectively.

The problem of trade diversion from Bombay to other Western India ports, particularly the Kathiawar Ports, is looked on with a little less anxiety in view of the prospects of a satisfactory solution under the auspices of the Government of India. But in addition to this problem Bombay has had to face, and will have to face still more in the future, a diversion of trade through the opening up of new ports in other parts of India. Even the Port of Vizagapatam on the other side has drawn a certain amount of trade from Bombay, while the newly developed port of Cochin will shortly begin to serve its own hinterland. In these circumstances, it behoves the Bombay Port Trust to watch the situation most carefully.

The unsatisfactory finances of the Government of Bombay will be materially improved by the separation of Sind now ordered, which will give a relief to the Bombay budget of some half a crore of rupees.

Outlook for 1936.

The year 1936 has opened with international political complications and with the possibility of others which causes a certain amount of apprehension in all minds. Nevertheless, if these complications get no worse, there are reasoned grounds for moderate confidence during the year. Britain particularly is happily placed because whatever the arguments about the lull to be expected in internal activity, these have been shelved by the necessity of the Government undertaking a large scale armament programme. In the United States business seems on the up grade and only liable to a setback if the President adopts further economic nostrums or if the stock market runs away under inflation. On the Continent of Europe trade prospects are not bright, France is still struggling with economic and financial problems, Italy is in the throes of trouble with Abyssinia and Germany is still engaged on the development of self-sufficiency.

The reactions on the situation of India are, of course, evident. The maintenance of trade with Britain can be expected, but whether this year will be better even than last year so far as Continental customers are concerned is problematical. One difficulty is that India cannot

expect to make favourable reciprocal trade arrangements with Continental countries because of her favourable balance of trade with them. In negotiations of that kind it is the country with the unfavourable balance that calls the tune.

As for internal conditions, there is no reason to expect any setback this year. Industrial production will probably continue to increase, whether the profits of industry as a whole will do so is a more doubtful matter. The difficulties of reaching any agreed regulation of the jute industry is one black spot on the horizon. The Government of India revenues are so conservatively managed that there is, of course, no reason to expect any difficulty. Everybody realises that the constitutional changes are going to cost money, while the separation of Burma involves a loss of revenue to the Government of India. In these circumstances, the loss of the railway contribution to Central revenues appears in an even more burdensome light. As things stand, there does not seem any immediate prospect of the resumption of these payments by the railways, and it has now become an open question whether the whole working of the railway system ought not to be thoroughly investigated by an expert enquiry.

MONEY.

During the closing week of 1934 money was somewhat scarce as the volume of demand from trade steadily increased, while a large portion of floating funds was occupied as advance against gold stocks, which had accumulated.

Money in good demand.

The New Year saw the continuance of steady demand for money, the inter-bank call rate ranging from 3 to 3½ per cent. After the turn of the year the Banks kept their cash resources sufficiently large to meet the growing seasonal demand from trade; the trade demand as revealed by Imperial Bank of India statement showed a small increase of nearly Rs. 51 lacs during the first week. In the second week call money rate rose to 4 per cent. as considerable floating funds were locked up in financing large stocks of bullion, particularly silver. However, slightly easy conditions were experienced during the third week largely because the market was in possession of funds accruing from the settlement of share accounts. The rate for call loans receded to 3 per cent. Demand for money, however, continued active during the remaining period of January, though towards the close, rates slightly relaxed owing to Treasury Bill maturities amounting to Rs. 340 .50 lacs, which exceeded renewals by about Rs. 70 lacs. Further, the market received in addition about Rs. 2¾ crores being the proceeds of over two million sterling sold to Government.

Banks increase their cash balances.

Call rate firms.

Call loan rate recedes slightly.

No significant change in the monetary situation was noticeable during the first half of February. Call loans were quoted round about 3½ per cent. throughout. The seasonal demand from trade was on the increase, while funds were required for the squaring up of accounts for the current share settlement, which was fairly heavy. The Imperial Bank of India statements revealed an increase of about Rs. 136 lacs in the trade demand during this month. Conditions were then so stringent that it was felt that Government should take measures to expand currency in order to meet the growing demand for money. On the other hand Government borrowings through Treasury Bills continued at the unchanged rate of acceptance of tenders at 2 per cent. During the third week of February money was slightly easy, and day-to-day loans were available at 2 per cent. This comparative easiness was due to the flow of fresh funds accruing from heavy Treasury Bill maturities amounting to Rs. 335 lacs; money was again tight, however, during the last week of February, and inter-bank call rate strengthened to 3½ to 4 per cent. To relieve the growing pressure to some extent Government discontinued the sale of intermediate Treasury Bills from the 27th of February and reduced the amount of tenders for the succeeding week from Rs. 1½ to Rs. 1 crore.

Undertone of money steady.

Trade demand improves.

Slightly easy conditions prevail.

Sale of Intermediate Treasury Bills discontinued.

The noteworthy feature of the money market during the first week of March was the expansion of currency to the extent of Rs. 3 crores against sterling assets on the 7th of March. This was primarily to restore monetary ease and probably also to keep the cash balance of the Imperial Bank of India comfortable.

Currency expanded.

It was also believed that Government had in mind the issue of the Reserve Bank of India shares and were therefore ensuring against any further tension which might result from the probable lock up of funds on that account. During the first half of March money rates were maintained round 3 per cent. owing to demand for funds for the share settlement coupled with requirement for trade financing. Towards the middle, however, money was a shade easier, the immediate reason being the discontinuance of the sale of 3 months' Treasury Bills from the 12th of March. During the last two weeks of March the demand for call loans was continually good, and rates were quoted at 3 to 3½ per cent. This firmness was mainly due to heavy withdrawals of funds for the Reserve Bank of India share applications. After the lists were closed, however, the quotation eased to 2½ per cent. The fixed deposit rates were quite steady; one month being quoted at 3 per cent., two to three months 2¾ per cent. and six months 2½ per cent.

Money rates maintained.

Sale of Treasury Bills discontinued.

Large withdrawal of funds for Reserve Bank Shares.

Money remained tight in the beginning of the first week of April, chiefly owing to demand for funds for gilt-edged settlement of accounts. The rates, however, ruled easier thereafter round 1½ to 2 per cent., owing to the flow of fresh funds of Rs. 1½ crores from Treasury Bill maturities and some banks gradually returning funds borrowed from the Imperial Bank of India during the preceding weeks. This easy trend was, however, broken during the succeeding two weeks of April when the inter-bank call rate ranged between 3½ and 4 per cent., because the volume of demand for call loans increased as a result of the approach of share settlement of accounts. The market was, however, in a comfortable position as fresh funds amounting to Rs. 563 .50 lacs were received from Treasury Bill maturities with no renewals. This was reflected in easier call money rates which were quoted at 2 to 2½ per cent. Government resumed the sale of three months Treasury Bills for the value of Rs. 1 crore on the 16th of April at the average rate of Rs. 1-12-0 per cent. per annum. This, with good general demand for day-to-day loans especially for squaring up of accounts of the bullion settlement explained the renewed monetary stringency during the last week of April.

Money becomes tight temporarily.

Rates ease.

Money becomes steady again.

Large Treasury Bill maturities ease money situation.

Barring a temporary ease during the first week, money remained firm throughout the first half of May, and call rates were quoted round 3½ per cent. The main contributory factor was the continued general demand from trade for floating funds. Time deposits were also in good demand, six months quoting 3 per cent. It was reported that during the second half of May money was slightly easier in other centres, and it was hoped that it might induce a sympathetic feeling in the local market. There was, however, no change in the local monetary situation. The inter-bank call rate continued firm throughout the period, quotations ranging from 3 to 3½ per cent. The tightness in the local market was attributable to withdrawals of funds for financing large stocks of bullion—gold and silver—in the current settlement of accounts.

Money rates firm up on good trade demand.

Money slightly easier in outside markets.

Rates in local market continue steady.

June saw money a shade easier, call loans being placed round 2½ per cent., though day-to-day loans were in good demand for the squaring up of share settlement accounts. The market position was, however, comfortable. Fresh funds were flowing in during this period through larger exports of merchandise, particularly of cotton. Moreover, the market continued to receive proceeds from the sale every week of one million sterling to Government. Treasury Bill maturities were also slightly in excess of the renewals during this period. During the remaining half of June, excepting temporary firmness in call rates owing to demand for funds for settlement of bullion accounts, the easy trend on the money market continued throughout as funds were returning to trade centres. The Treasury Bill maturities were offset by renewals of an equivalent amount of Rs. 1 crore.

Money gets easier.

Large exports of cotton and other commodities.

No stringency was experienced in the market over the half-year, as funds continued to pour in from upcountry to trade centres; furthermore, the financing of cotton was falling off, stocks not being allowed to accumulate and being shipped immediately on arrival at the ports. Stocks of gold were also reduced considerably and banks generally were comfortably off. Call money ranged between 1½ to 2 per cent. during the first half of July even though the market purchased Rs. 1 crore worth of Treasury Bills a week without any maturities and sales of sterling to Government were negligible. The trend of money became still easier during the second half of July since in addition to the easy money factors already prevailing, there were other contributory causes, *viz.*, Treasury Bill maturities of Rs. 1 crore against nil during the first half and larger sales of sterling to Government aggregating £1,425,000 as compared with £100,000 in the first half. The rate for day-to-day loans was quoted at about 1½ per cent. barring on days coinciding with the usual monthly settlement of accounts in connection with bullion.

No stringency over half-year end.

Money becomes easy.

In the last week Government suspended temporarily the sale of Treasury Bills by tender to facilitate the floatation of a new Rupee loan. In the absence of any demand for trade purposes, the suspension of the sale of Treasury Bills caused further easiness in short-term rates. Call loans were available at 1 per cent. early in August and the rates for time deposits—one to six months—dropped from 2 to 2½ per cent. to 1¾ per cent. In the second week of August there was a temporary spurt in money rates owing to large withdrawals of cash from local banks for the New Rupee Loan, which opened for subscription on the 5th of August. The rate for call loans advanced to 2 per cent., but soon eased to 1 per cent. following the return of funds to the market on the unallotted portion of the cash applications to the New Loan. Furthermore, Rs. 1 crore were received through maturing Treasury Bills, fresh sales being temporarily closed. Throughout the remainder of August money market ruled easy, the rate for inter-bank call loans gradually declining to ½ per cent. at the close. Slackness in demand for funds was entirely seasonal, but the suspension of Treasury Bill sales together with the purchases of sterling by Government had aggravated the situation, particularly as public refrained from investing surplus funds in gilt-edged owing to the far from good international situation.

Sale of Treasury Bills suspended to facilitate issue of New Loan.

Temporary spurt in money rates.

Money gets easy.

Trade demand slackens and money remains easy.

The sale of three months Treasury Bills which had remained suspended from the 16th of July was resumed and Government invited Rs. 2 crores of tenders on 3rd September allotting the same at an average rate of Rs. 1-5-5 per cent. This caused a temporary spurt in money rates, call loans being quoted at 1½ per cent., but the rate soon relapsed to ½ per cent. again and stayed at that level throughout September. Apart from the usual seasonal slackness in demand for trade, there were Treasury Bill maturities of Rs. 1 crore every week, and the market sold large blocks of sterling to Government, thus augmenting the surplus Rupee funds. Furthermore, Rs. 14½ crores of the unconverted portion of 1935 five per cent. and 6½ per cent. Bonds were put on the market on the 15th September, investors being a little charry about putting these in gilt-edged owing to the tense European political situation. Quite a good portion of the proceeds went into Treasury Bills, Government having introduced the sale of intermediate bills as from 18th September, but the yield was gradually lowered to ¾ per cent. by the end of the month. Time deposit rates were proportionately reduced by banks, one to three months being quoted at ½ to ¾ per cent. and six months at 1¼ to 1½ per cent.

Sale of Treasury Bills resumed.

No change in monetary situation.

Market receives large funds through maturing 1935 Loans.

Large investments in Treasury Bills.

In the absence of trade demand the glut of funds continued throughout October and November; call loans were almost unlendable, being quoted at ¼ per cent. Government absorbed large amounts of surplus funds through the sale of Treasury Bills, both by tender and on tap, and in fact had to stop the sale of intermediates as from October 15. Yet there were practically no maturities of Treasury Bills during this period, though the market received Rs. 9 .39 crores through maturing 6½ per cent. Bombay Development loan on 1st November, and the market sold £1 million sterling to Government almost every week, except during the latter part of November when the tenders were smaller. Time deposit rates showed little or no improvement, there being few borrowers of three months money over ¾ per cent., six months being quoted at 1½ per cent. despite the fact that such deposits covered the entire export season.

Glut of funds continues.

Sale of Intermediate Treasury Bills stopped.

Further funds received by the market through maturing Bom. Dev. Loan.

So cheap and plentiful was money, that the Reserve Bank of India reduced its discount rate from 3½ to 3 per cent. with effect from 28th November. Rumours had been afloat in other centres for some time foreshadowing a reduction. It is unique in the monetary history of India for the Bank rate to be reduced on the eve of the export season; normally the bank rate is raised to higher levels beginning in November or December. During the last two years there was no change made in the Bank rate throughout the period and it may be pointed out that never has the Bank rate stood at 3 per cent. in the history of the Imperial Bank of India, though prior to 1914 the rate of the Bank of Bombay was generally lowered to 3 per cent. every year during the monsoon season.

Reserve Bank rate reduced.

Even so, the Bank rate did not prove effective inasmuch as there was no narrowing of the gap between the open market money rates and the Reserve Bank of India rate. Throughout December also call loans were still freely available at ¼ per cent. and in fact banks were so full up with cash that there was not even the last

Lower Bank rate also ineffective.

Few borrowers of call loans.

day pull for year end window dressing requirements. Time deposits were also not wanted, even six months money which covered the entire busy season being available at 1¼ to 1½ per cent. Government were able to meet with ease the heavy Treasury Bill maturities aggregating Rs. 16.65 crores during December, partly by renewals and partly probably from incoming revenues.

Time deposit rates very low.

RESERVE BANK OF INDIA STATEMENTS.

The Reserve Bank of India issued on April 5 the first statement of Assets and Liabilities in its Issue and Banking Departments.

The Issue Department took over the functions of the Currency Department of the Government of India as from 1st April, and accordingly this section of the statement is dealt with in conjunction with the Currency Department weekly returns which form a separate section in this Report.

Bank takes over management of Currency Dept.

The statement dealing with the Banking Department showed a capital of Rs. 5 crores and Reserve of Rs. 5 crores. The latter amount was transferred from the Currency Department and was represented by the item Investments of equivalent value on the Assets side. Government deposits amounted to Rs. 18.36 crores and those held by Banks at Rs. 7.82 crores. On the Assets side, the Banks held in India notes and Rupee Coin to the extent of Rs. 19.08 crores, while balances held abroad amounted to Rs. 11.94 crores.

Banking Dept.

In the second week Government deposits fell by Rs. 1.15 crores which was compensated partly by a decrease in notes held to the extent of Rs. 80.03 lacs. The item investments showed a small increase of Rs. 3.38 lacs. In the following week there was no change of any importance, but in the week ending 26th, Government Deposits as well as those held by Banks increased, the former by Rs. 99.29 lacs and the latter by Rs. 114.20 lacs. Notes held increased by Rs. 166.53 lacs to Rs. 19.34 crores while balances held abroad also improved by Rs. 19.01 lacs to Rs. 12.35 crores. The item of Other Assets which stood at Rs. 16.18 lacs on the 5th had increased to Rs. 40.68 lacs. Investments increased to Rs. 5.09 crores.

Government deposits decline.

Government deposits and notes held increase.

In the first week of May Government Deposits declined by Rs. 140.83 lacs to Rs. 17.03 crores owing probably to beginning of the month requirements. Banks' Deposits on the other hand increased by Rs. 96.38 lacs to Rs. 9.61 crores. Other Liabilities increased by Rs. 26.48 lacs to Rs. 44.53 lacs with a corresponding fall in Other Assets which declined by Rs. 26.74 lacs to Rs. 13.94 lacs. Notes and Rupee Coin held declined by Rs. 126.62 lacs to Rs. 18.15 crores while balances held abroad increased by Rs. 135.68 lacs to Rs. 13.70 crores.

Small variations.

In the second week Government Deposits shrank by Rs. 206.48 lacs to Rs. 14.97 crores with an almost corresponding increase in Banks' Deposits by Rs. 245.84 lacs to Rs. 12.07 crores. Notes on the other hand declined by Rs. 135.51 lacs to 16.75 crores, while balances held abroad by Rs. 133.55 lacs to Rs. 15.04

Government deposits fall.

crores, the latter representing the equivalent of £1 million sterling remitted on behalf of Government.

Banks' deposits increase.

In the subsequent week Government Deposits were practically unchanged, but those of Banks increased by Rs. 256.95 lacs to Rs. 14.64 crores. Notes and Silver coin on the other hand increased by Rs. 81.05 lacs to Rs. 17.61 crores and balances held abroad by Rs. 165.97 lacs to Rs. 16.70 crores.

Substantial increase in Government deposits.

Investments increase.

In the following two weeks Government Deposits increased substantially from Rs. 14.80 crores to Rs. 19.99 crores while those of the Banks were slightly less at Rs. 14.42 crores. Notes and Rupee Coin held increased from Rs. 17.61 crores to Rs. 22.19 crores while balances held abroad showed but small change at Rs. 17.51 crores. Investments which had hitherto been practically unchanged increased by about Rs. 40 lacs to Rs. 5.49 crores.

Government and Banks' deposits decline.

Notes decrease.

Investments increase further.

In the first week of June Government as well as Banks' Deposits fell, the former by Rs. 85.16 lacs to Rs. 19.13 crores and the latter by Rs. 167.09 lacs to Rs. 12.75 crores. Other Liabilities showed a decrease of Rs. 57.00 lacs to Rs. 40.06 lacs. Notes and Rupee Coin decreased by Rs. 322.53 lacs to Rs. 18.96 crores and balances held abroad declined by Rs. 23.02 lacs to Rs. 17.28 crores. Investments showed a further increase of Rs. 10.06 lacs to Rs. 5.59 crores.

Banks' deposits increase.

In the second week while Government Deposits shrank further by Rs. 97.12 lacs to Rs. 18.16 crores, Banks' Deposits increased by Rs. 286.76 lacs to Rs. 15.62 crores. Notes increased by Rs. 96.96 lacs to Rs. 19.90 crores, Balances held abroad by Rs. 20.33 lacs to Rs. 17.48 crores and Investments by Rs. 41.36 lacs to Rs. 6.01 crores.

Government and Banks' deposits increase substantially.

In the last two weeks of June there was a substantial increase both in Government Deposits and Banks' Deposits, the former going up from Rs. 18.16 crores to Rs. 22.34 crores and the latter from Rs. 15.62 crores to Rs. 17.05 crores. Notes increased to Rs. 25.58 crores and balances held abroad to Rs. 18.35 crores.

Banking Department opened.

On the 1st of July, the Banking Department of the Reserve Bank of India was opened and the weekly statements of the Bank pertaining to this Department showed certain important changes, which, however, were in the nature of book entries only. Government withdrew Rs. 14.54 crores reducing their deposits to Rs. 7.80 crores. Of this amount Rs. 12 crores were evidently converted into sterling securities, there being a shrinkage of like amount in the balance of the Bank held abroad. To this extent again Rupee securities were cancelled in the Issue Department. Notes held in the Banking Department increased by Rs. 69.53 lacs to Rs. 26.27 crores, while investments also increased by Rs. 15.01 lacs to Rs. 6.15 crores. The Banks' Deposits increased by the large figure of Rs. 454 lacs to Rs. 21.59 crores being the amount paid in by Scheduled Banks in compliance with the provision of the Act.

In the following week the only important changes were an increase in Banks' Deposits of Rs. 294.68 lacs to Rs. 24.54 crores and an increase of Rs. 241.84 lacs in Notes to Rs. 28.69 crores. In the subsequent two weeks, all the items showed an increase; Government Deposits improved from Rs. 7.24 crores to Rs. 11.74 crores and those of the Banks from Rs. 24.54 crores to Rs. 29.59 crores. Notes increased from Rs. 26.27 crores to Rs. 34.89 crores and balances held abroad from Rs. 6.84 crores to Rs. 10.33 crores. Investments on the other hand declined for the first time from Rs. 6.15 crores to Rs. 5.91 crores.

Banks' deposits increase.

Government and Banks' deposits increase.

The weekly statement of 2nd August, showed no important changes, except in the item of Other Liabilities which increased by Rs. 158.93 lacs to Rs. 2.07 crores. This, however, appeared to be a temporary change since in the following week, there was a decrease of an almost like amount to Rs. 64.47 lacs. In the following week there were no changes of importance, but in the two succeeding weeks, Government and Banks' Deposits as well as Notes and Balances held abroad showed an improvement. Government Deposits now amounted to Rs. 12.83 crores and those of Banks at Rs. 35.74 crores. Notes aggregated Rs. 38.55 crores and balances held abroad Rs. 13.82 crores. Investments also increased to Rs. 6.29 crores.

Other liabilities increase.

In the first week of September Government Deposits shrank by Rs. 274.01 lacs to Rs. 10.09 crores and notes by Rs. 325.36 lacs to Rs. 35.29 crores. Balances held abroad, on the other hand, increased by Rs. 103.53 lacs to Rs. 14.86 crores. In the following week there were no important changes again, but in the week after Banks deposits showed a big increase of Rs. 254.31 lacs to Rs. 38.93 crores, and the item of Other Assets advanced by Rs. 210.52 lacs to Rs. 247.45 lacs. Investments dropped by Rs. 62.12 lacs to Rs. 5.43 crores. In the last week of September Government Deposits increased by Rs. 371.11 lacs to Rs. 13.45 crores, while those of Banks decreased by Rs. 314.65 lacs to Rs. 35.79 crores. Notes on the other hand increased by Rs. 210.06 lacs to Rs. 37.81 crores while the item of Other Assets declined by Rs. 140.56 lacs to 106.89 lacs.

Government deposits and notes held decline.

Investments decrease.

During the first two weeks of October both Government and Banks' Deposits fell off with an almost corresponding decrease in notes and balances held abroad. Government Deposits declined to Rs. 10.91 crores and Banks' Deposits to Rs. 29.28 crores. Notes dropped to Rs. 32.25 crores and balances held abroad to Rs. 12.65 crores. In the third week while Government Deposits fell further to Rs. 8.15 crores, those of the Banks improved to Rs. 30.40 crores. Notes held increased by the large figure of Rs. 231.63 lacs to Rs. 34.56 crores, but balances held abroad fell equally sharply by Rs. 343.73 lacs to Rs. 9.21 crores and in the subsequent two weeks Government as well as Banks' Deposits increased on balance, the former to Rs. 9.50 crores and the latter to Rs. 31.81 crores. Notes were practically unchanged at Rs. 34.51 crores while balances held abroad increased to Rs. 11.49 crores. For the first time since Reserve Bank took over Government finances, did the

Government, Banks' deposits and Notes held all decline.

Notes increase.

Government borrows for ways and means.

Government of India borrow Rs. 1 crore from the Bank for Ways and Means advances, in the last week of October.

Sharp fall in Government deposits.

In the first week of November Government Deposits fell sharply by Rs. 323 .22 lacs to Rs. 6 .27 crores being the lowest figure on record. In the subsequent three weeks, however, there was an increase, the amount standing at Rs. 11 .88 crores on 29th November. Banks' Deposits showed small week to week changes and stood at Rs. 28 .16 crores on the same date. Notes increased to Rs. 34 .58 crores while balances held abroad declined slightly to Rs. 11 .25 crores. Government repaid in the week ending 22nd November Rs. 1 crore borrowed against Ways and Means in the last week of October.

Government repays ways and means advance.

Government deposits fall.

In the first week of December Government Deposits decreased by Rs. 303 .10 lacs to Rs. 8 .85 crores owing probably to beginning of the month requirements. Banks' Deposits were practically unchanged, but Notes held declined substantially by Rs. 396 .38 crores to Rs. 30 .62 crores. Balances held abroad on the other hand increased by Rs. 91.05 lacs to Rs. 12.17 crores.

Big increase in Government deposits.

In the second week, however, Government Deposits showed a big increase of Rs. 508 .14 lacs to Rs. 13 .93 crores and this was reflected in an increase of Rs. 596 .46 lacs in Banks' balances held abroad to Rs. 18.13 crores. Banks' Deposits declined by Rs. 58 .25 lacs to Rs. 27 .50 crores and notes held declined by Rs. 97 .54 lacs to Rs. 29 .64 crores.

Government deposits fall.

In the third week there was a fall again in Government Deposits of Rs. 467 .16 lacs to Rs. 9 .26 crores while the closing balance stood at Rs. 7.08 crores. Banks' Deposits closed at Rs. 28.16 crores. Notes held declined to Rs. 21.22 crores at the finish.

IMPERIAL BANK STATEMENTS.

Government and Other Deposits increase at the opening.

The year opened with an increase in Public as well as Other Deposits, the former advancing by Rs. 176 .02 lacs to Rs. 8 .24 crores and the latter by Rs. 67 .43 lacs to Rs. 74 .48 crores. Cash on the other hand decreased by Rs. 229 .84 lacs to Rs. 17 .57 crores and the percentage of cash to liabilities declined by 3 .42 per cent. to 20 .74. Government borrowed Rs. 4 crores for Ways & Means increasing the outstanding balance to Rs. 9 crores. In the following two weeks there was a further shrinkage in deposits, Government's declining from Rs. 8 .24 crores to Rs. 6 .09 crores and Others from Rs. 74 .48 crores to Rs. 73 .95 crores. Cash, however, was only slightly lower at Rs. 17 .21 crores. Government Securities held on the other hand increased by over Rs. 1¾ crores to Rs. 43 .42 crores. Government repaid Rs. 5 crores during the period against Ways & Means reducing the balance to Rs. 4 crores. Trade demand showed a slight improvement of about Rs. 48 lacs. The percentage of cash to liabilities improved from 20 .74 to 21 .18 per cent. In the last week of January Government Deposits increased by Rs. 89 .38 lacs to Rs. 6 .98 crores while

Cash balance declines.

Government borrows for Ways and Means.

Further drop in Deposits.

Cash position unchanged but Securities increase.

Trade demand improves.

Government deposits increase.

Further increase in Securities.

Trade demand improves further.

Drop in Securities.

Securities increase again.

Further improvement in trade demand.

Cash balance increases.

Other Deposits showed a slight decrease to Rs. 73.76 crores. Cash increased by Rs. 58.32 lacs to Rs. 17.79 crores and Government Securities increased further by Rs. 147.05 lacs to Rs. 44.89 crores. Loans, Cash Credits and Bills discounted all increased, the trade demand showing a further improvement of Rs. 85.37 lacs. In the following two weeks there was a big drop in the cash balance from Rs. 17.79 crores to Rs. 12.79 crores, and the percentage of cash to liabilities declined from 21.75 to 15.64. Trade demand showed a further good improvement of nearly Rs. 2 crores. Government Securities held, however, dropped for the first time since the beginning of the year by Rs. 110.50 lacs to Rs. 44.32 crores. The following week the security portfolio increased by Rs. 252.06 lacs to Rs. 46.84 crores. Cash balance also increased slightly by Rs. 65.98 lacs to Rs. 13.45 crores. Trade demand showed a further improvement of Rs. 135.97 lacs. In the last fortnight of February while Government Deposits showed but little change, Other Deposits increased from Rs. 73.68 crores to Rs. 75.63 crores. Cash balance increased from Rs. 13.44 crores to Rs. 14.81 crores and the percentage of cash to liabilities advanced from 16.50 to 17.79. The trade demand declined during this period by nearly Rs. 2 crores.

Fall in other deposits.

Government pays off outstanding Ways and Means advances.

Government and other deposits mount.

Cash balance increases.

Securities fall.

In the first week of March Other Deposits declined by Rs. 158.87 lacs to Rs. 74.04 crores and the trade demand improved by Rs. 201.26 lacs. Government repaid Rs. 2 crores, the entire outstanding balance against Ways & Means advances. During the remainder of March both Government Deposits and Other Deposits began to mount up, the former increasing from Rs. 6.81 crores to Rs. 10.89 crores, and the latter from Rs. 74.04 crores to Rs. 80.69 crores. Cash balance also increased considerably from Rs. 15.25 crores to Rs. 23.40 crores, and the percentage of cash to liabilities advanced from 18.60 to 25.23. Government securities declined steadily every week from Rs. 46.30 crores to Rs. 43.80 crores.

Reserve Bank formed.

From the 1st of April Reserve Bank of India took over from the Imperial Bank the management of Government finances. Accordingly in the Imperial Bank statement dated 5th April the item of Government balances completely disappeared. The Item of sundry liabilities which stood at Rs. 1.16 crores declined to Rs. 67.71 lacs. Other Deposits also shrunk largely from Rs. 80.69 to Rs. 74.82 crores. Among assets Cash balance fell from Rs. 23.40 crores to Rs. 8.92 crores and the Securities held declined from Rs. 43.80 to Rs. 42.02 crores. Other items were practically unchanged. In the second and third week there was again a further shrinkage in Other Deposits which declined from Rs. 74.82 crores to Rs. 71.90 crores. Securities held also dropped further from Rs. 42.02 crores to Rs. 40.55 crores. Cash balance increased from Rs. 8.92 crores to Rs. 10.17 crores, but other items were practically unchanged. Thereafter right upto the middle of June, Other

Other deposits fall.

Cash declines.

Other deposits fall further.

Cash balance increases.

Deposits began to increase steadily and amounted to Rs. 75.78 crores on the 14th. Cash balance also increased gradually and stood at Rs. 17.01 crores on the same date. Securities held though they declined during May to Rs. 35.84 crores, increased by the 14th June to Rs. 40.29 crores. Loans which stood variably between Rs. 8 to 9 crores during this period declined to Rs. 5.79 crores on the week ending 14th June. Cash credit advances and Bills discounted also declined somewhat and showed clearly that demand for trade purposes was on the wane. In the third week of June Other Deposits dropped by nearly Rs. 3 crores to Rs. 72.83 crores and cash balance decreased almost in the same proportion from Rs. 17.01 crores to Rs. 14.26 crores. Securities increased further from Rs. 40.29 crores to Rs. 41.09 crores. From now on right upto the third week of August there was hardly any change in Other Deposits, but Cash balance improved steadily to Rs. 23.57 crores. Securities held on the other hand showed a proportionate decline from Rs. 41.09 crores to Rs. 34.43 crores. Loans and Cash Credits also declined but only slightly, the former from Rs. 5.16 crores to Rs. 3.99 crores and the latter from Rs. 18.34 crores to Rs. 17.08 crores. In the last week of August Other Deposits, however increased by Rs. 117.33 lacs to Rs. 73.02 crores, with an almost proportionate rise in cash of Rs. 140.36 lacs to Rs. 24.97 crores. Securities fell further by Rs. 45.59 lacs to Rs. 33.82 crores.

Other deposits steadily increase.

Loans decrease.

Other deposits and Cash decline.

No important changes.

Securities drop.

Other deposits increase.

From September upto the first week of November there was a steady increase in Other Deposits from Rs. 73.01 crores to Rs. 79.27 crores. Cash on the other hand declined from Rs. 24.97 crores to Rs. 19.57 crores, but the Security portfolio increased by nearly Rs. 14 crores to Rs. 48.67 crores. It was evident from this that there was no demand for trade and the Bank was diverting its surplus funds for investment into gilt-edged and Treasury bills.

Further increase in other deposits.

Securities increase largely.

During the remainder of November Other Deposits decreased slightly to Rs. 78.87 crores on the 29th. Cash balance declined further to Rs. 17.80 crores, but Securities increased to nearly Rs. 51½ crores, a further advance of about Rs. 3 crores. Among Other assets, Cash credits declined steadily to Rs. 13.24 crores, while the item of Loans was almost unchanged at Rs. 3.15 crores.

Further increase in Securities.

In the first fortnight of December there was a further decrease in the cash balance of the Bank to Rs. 15.43 crores. Deposits declined slightly to Rs. 78.24 crores. In the third and the last week, however, deposits increased slightly by Rs. 21.87 lacs to Rs. 78.46 crores. Cash balance increased considerably by Rs. 418.29 lacs to Rs. 19.61 crores. There was a big decrease, however, in Securities held which fell by Rs. 382.98 lacs to Rs. 49.15 crores.

Cash balance drops.

Considerable increase in Cash balances.

GOVERNMENT DEPOSITS.

The year opened with Rs. 8 .24 crores to the credit of Government with the Imperial Bank, being an excess of Rs. 176 .02 lacs over the closing balance of 1934. At the same-time Government had borrowed Rs. 4 crores for Ways and Means in order to meet year end requirements, thus raising the total under this head to Rs. 9 crores. In the following three weeks Government repaid Rs. 7 crores against Ways and Means advances reducing the balance to Rs. 2 crores and their deposits with the Bank were only slightly reduced at Rs. 6 .98 crores. Treasury Bill maturities were largely offset by renewals, but Government were receiving their revenues which are generally quite large at this time of the year, and this enabled them to pay off to the Bank. In the subsequent two weeks Government again had to borrow Rs. 2 crores a week for Ways and Means, increasing the total to Rs. 6 crores, and their deposits were practically unchanged at Rs. 7 .15 crores. The Bank's statement of 15th February showed that Government had repaid Rs. 5 crores reducing the Ways and Means advances to Rs. 1 crore. In the following week they neither borrowed nor repaid, but at the same time Treasury Bill maturities exceeded renewals in the two weeks by nearly Rs. 5 crores, and it was evident from this that Government revenue collections were going fast apace. Government Deposits were reduced to Rs. 6 .50 crores. In the last week Government borrowed Rs. 1 crore for Ways and Means increasing the amount to Rs. 2 crores, the maturities of Treasury Bill again exceeding renewals by over a crore. Their balance at the Bank was practically unchanged at Rs. 6 .46 crores.

Balances increase at the opening.

Government borrow for Ways and Means.

Government repay against Ways and Means advances.

Government receive revenues.

Government borrow for Ways and Means.

Government repay against Ways and Means advances.

Government borrow for Ways and Means.

In the first week of March Government expanded currency to the tune of Rs. 3 crores against sterling assets which enabled them to pay off Rs. 2 crores against Ways and Means advances, thus wiping off this debt completely. Furthermore, Treasury Bill maturities amounted to Rs. 215 lacs with renewals of Rs. 1 crore and Government balance with the Bank increased somewhat to Rs. 6 .81 crores.

Government expand Currency and repay Ways and Means advances completely.

In the two succeeding weeks there was practically no change in Government Deposits, but in the last week there was a big increase of Rs. 345 .16 lacs to Rs. 10 .89 crores probably as a result of large amount of application money received for Reserve Bank of India shares.

Big increase in balances.

From the 1st of April the Reserve Bank of India took over from the Imperial Bank the management of Government finances. Their balances shown in the weekly statements of the Bank were the combined balances in India and in London. Such first statement was issued on the 5th of April showing Government balances at Rs. 18 .36 crores. In addition Government paid Rs. 255 lacs for Treasury Bill maturities, there being no renewals during this week. In the following three weeks in April

Reserve Bank of India takes over management of Government finances.

Government Deposits varied slightly, but Treasury Bill maturities and payment for purchases of sterling exceeded Treasury renewals by Rs. 3.93 crores.

Deposits shrink.

During the first fortnight in May, Government Deposits shrank considerably dropping from the neighbourhood of Rs. 18 crores to Rs. 14 .80 crores, the excess of Treasury Bill maturities over renewals and the payment for sterling purchases being responsible for this position. In the last two weeks there was a large increase in Government Deposits to Rs. 19 .99 crores, there being Treasury Bill maturities of only Rs. 3 crores during this period while fresh sales amounted to Rs. 2 crores. Against this, however, Government paid about Rs. 2 .66 crores to the market against sterling purchases.

Large increase in deposits.

Small changes.

In the first two weeks of June Government Deposits showed a small decrease to Rs. 18 .16 crores. Though Treasury Bill sales were largely offset by maturities, Government bought £ 1 million sterling each week, thus paying out about Rs. 2 .66 crores to the market during this period. In the last two weeks, however, the Desposit showed a large increase of over Rs. 4 crores to Rs. 22 .34 crores at the end of June.

Large increase in deposits.

Banking Dept. of Reserve Bank opened.

The Banking Department of the Reserve Bank of India was opened from 1st July. Government Deposits decreased on this date by the large amount of Rs. 14 .54 crores to Rs. 7 .80 crores. This, however, appeared in the nature of a book entry as Government had evidently transferred Rs. 12 crores to Sterling Securities in the Issue Department, cancelling there against equal amount of Rupee Securities held in India. In the two following weeks, however, their deposits increased substantially to Rs. 11 .74 crores despite the fact that there were no sales of Treasury Bills while maturities amounted to Rs. 2 crores and Rs. 1 .88 crores was further paid against purchases of Sterling from the market.

Slight variations in deposits.

Throughout August Government Deposits varied but slightly though there was a small increase in the last week of Rs. 101 .09 lacs to Rs. 12 .83 crores. There was no sale of Treasury Bills, however, during this period while maturities amounted to Rs. 1 crore a week and besides the market received large funds from Government by sales of sterling.

Big drop in deposits followed by big rise.

In the first week of September, there was a large shrinkage of Rs. 274 .01 lacs to Rs. 10 .09 crores. In the following two weeks, however, their deposits varied slightly but in the last week there was a large increase of Rs. 371 .11 lacs to Rs. 13 .44 crores. Throughout this month Government received Rs. 2 crores weekly by sale of Treasury Bills, but they paid out Rs. 1 crore a week against maturities and also large sums aggregating about Rs. 4 .25 crores against purchases of £ 3,190,000 sterling during this month.

Deposits fall.

In the first week of October Government Deposits fell by Rs. 297 .39 lacs to Rs. 10 .47 crores, while there was practically no change in the second week. In the third week again, however, there was a further drop of Rs. 276 .16 lacs to Rs. 8 .15 crores, but this was almost compensated by an increase in the last week of Rs. 200 .92 lacs to Rs. 10 .16 crores.

In the first week of November while the change in Government Deposits was negligible, there was a drop of Rs. 323 .22 lacs in the second week reducing the balance to Rs. 6 .27 crores. In the subsequent two weeks, however, there was gradual increase and Government Deposits stood at Rs. 8 .17 crores on 22nd November. Throughout October and November Government sold Rs. 2 crores worth of Treasury Bills weekly against which there were only Rs. 3 crores of maturing Treasury Bills, but Government bought large blocks of sterling thereby paying large amounts to the market.

Fall in deposits continues.

In the last week of November Government Deposits increased by Rs. 370 .86 lacs to Rs. 11 .88 crores, but in the following week there was a drop of Rs. 303 .10 lacs to Rs. 8 .85 crores owing probably to beginning of the month requirements.

Deposits increase.

In the second week of December there was a big increase of Rs. 508 .14 lacs to Rs. 13 .93 crores. This was followed again by a drop of Rs. 467 .16 lacs to Rs. 9 .26 crores in the third week. At the close it stood at Rs. 7 .08 crores.

Further large increase in deposits.

During this month Government had to pay over Rs. 16 crores on account of maturing Treasury Bills and also paid about Rs. 1.33 crores every week against purchases of sterling. The renewals of Treasury Bills on the other hand amounted to about Rs. 6 crores. It was evident from this that Government revenues were coming in faster.

Large Treasury Bill maturities during Dec.

CURRENCY RETURNS.

The year opened with a small increase of Rs. 56 .42 lacs in notes in circulation to Rs. 184 .47 crores and there was a corresponding increase in silver reserves, silver coin increasing by Rs. 40 .34 lacs and silver bullion by Rs. 16 .14 lacs to Rs. 81 .25 crores and Rs. 14 .38 crores respectively. Gold bullion was unchanged from the closing balance of last year at Rs. 41 .55 crores. Securities held in India and London were also unchanged at Rs. 33 .04 crores and Rs.14 .24 crores respectively. The percentage of metallic reserve to circulation stood at 74 .36.

Notes in Circulation increase at the opening.

In the succeeding four weeks notes in circulation decreased every week and amounted to Rs. 182 .84 crores on 15th February. Silver coin and bullion decreased correspondingly, former to Rs. 78 .55 crores and the latter to Rs. 13 .14 crores. Gold bullion was unchanged throughout the period at Rs. 41 .55 crores, while securities both in India and London showed a slight increase to Rs. 35 .14 crores and Rs. 14 .46 crores respectively. The percentage of cash to liabilities declined from 74 .36 to 72 .87. In the last two weeks of February, however, there was a slight increase of Rs. 35 .77 lacs in notes in circulation to Rs. 183 .20 crores, but silver coin and bullion still declined, the former to Rs. 78 .54 crores and the latter to Rs. 12 .92 crores. Securities in India increased, however, to Rs. 35 .61 crores and in London to Rs. 14 .57 crores, while gold bullion was unchanged.

Notes in Circulation and Silver Coin held decrease.

In the first week of March Government expanded currency to the tune of Rs. 3 crores against sterling securities and notes in circulation increased by Rs. 238.20 lacs to Rs. 185.58 crores. Securities in London on the other hand increased by Rs. 337.30 lacs. Silver coin decreased by Rs. 94.42 lacs to Rs. 77.60 crores, but silver bullion increased by Rs. 32.99 lacs to Rs. 13.25 crores. The percentage of cash to liabilities declined to 71.34. In the following three weeks notes in circulation increased gradually to Rs. 186.10 crores on the 31st March. Silver coin declined to Rs. 77.25 crores while silver bullion and gold stood at Rs. 13.12 crores and Rs. 41.55 crores respectively. The percentage of metallic reserve to circulation declined further to 70.89.

Currency expanded.

Notes in Circulation increase gradually.

From the first of April, the Reserve Bank of India took on the management of the Currency Department, now known as the Issue Department of the Bank. The Assets of the Gold Standard Reserve were transferred to the Bank and were embodied in the Issue Department statement. The notes in circulation were shown separately from notes held in the Banking Department of the Reserve Bank. Rupee Coin held were reduced to the neighbourhood of Rs. 50 crores. As a result of these changes while the total of currency notes as shown in the Banks' statement of 5th April revealed practically no variation at Rs. 186.05 crores, Rs. 19.05 crores of which were held in the Banking Department, the items composing Reserves were materially altered. Gold coin and bullion increased by Rs. 2.87 crores which was all held in London, and the total under this head now stood at Rs. 44.42 crores compared with Rs. 41.55 crores on 31st March. Sterling securities increased from Rs. 18.27 crores to Rs. 48.62 crores and Rupee securities from Rs. 35.89 crores to Rs. 43.05 crores. Rupee coin and bullion on the other hand declined from Rs. 90.37 crores to Rs. 49.95 crores. The ratio of total assets to liabilities was about 50 per cent. During the subsequent two weeks notes held in the Banking Department decreased by Rs. 137.43 lacs, but there was almost a corresponding increase in notes in circulation. In the last week of April, however, notes held in the Banking Department increased by Rs. 166.53 lacs with a fall of Rs. 147.19 lacs in notes in circulation, but the total notes were only slightly altered at Rs. 186.27 crores. The small increase in notes was compensated by a corresponding increase in Rupee coin to Rs. 50.17 crores.

Reserve Bank of India takes over Currency management.

Rupee Coin reduced.

Gold Coin and Bullion and Sterling Securities increased.

In the first two weeks of May notes held in the Banking Department declined by over Rs. 2½ crores while those in circulation increased by under Rs. 2 crores, showing a net loss of about Rs. 60 lacs. There was almost a corresponding decrease in Rupee coin which declined from Rs. 50.17 crores to Rs. 49.57 crores. The other items were almost unaltered. In the latter half of the month, however, notes held in the Banking Department increased by about Rs. 5.35 crores to Rs. 22.11 crores, but notes in circulation declined by Rs. 4.60 crores to Rs. 164.32 crores. Sterling Securities increased for the first time at the end of the month by Rs. 199.07 lacs to Rs. 50.62 crores; Rupees securities on the other hand declined by a like amount to Rs. 41.06

Notes held in Banking Department decrease.

Notes in Banking Department increase.

crores. Rupee coin increased from Rs. 49 .57 crores to Rs. 50 .33 crores. The ratio of total of assets to liabilities improved to 50 .97 per cent.

Notes in Banking Department steadily flow in.

Throughout June, July and August there was a steady inflow of notes into the Banking Department against an almost corresponding shrinkage in notes in circulation. Rupee coins, however, were steadily returning to the Treasury, causing an increase in notes as a whole. The movement was entirely seasonal. Notes held in the Banking Department increased from Rs. 22 .11 crores to Rs. 38 .55 crores, while notes in circulation declined from Rs. 164 .32 crores to Rs. 154 .47 crores at the end of August. The total of notes however, increased from Rs. 186 .43 to Rs. 193 .03 crores. Rupee coin held increased from Rs. 50 .33 crores to Rs. 56 .92 crores. Sterling securities increased substantially from Rs. 50 .62 crores to Rs. 65 .19 crores, while securities held in India declined by a like amount from Rs. 41 .06 crores to Rs. 26 .49 crores. The ratio of total of assets to liabilities advanced to 56 .78 per cent.

Total Note issue increases.

Big drop in Notes in Banking Department.

In the first week of September there was a big shrinkage in notes held in the Banking Department from Rs. 38 .55 crores to Rs. 35 .29 crores with an almost corresponding increase in notes in circulation. There was, however, little change in the total number of notes issued. In the second week there were only minor changes, but in the following two weeks notes held in the Banking Department increased from Rs. 35 .08 crores to Rs. 37 .80 crores, while notes in circulation declined from Rs. 157 .92 crores to Rs. 156 .31 crores. The total notes issued increased from Rs. 193 .01 crores to Rs. 194 .12 crores. Rupee coin still continued to flow in and increased by over Rs. 1 crore to Rs. 58 .00 crores during this period. Sterling securities increased from Rs. 65 .19 crores to Rs. 66 .18 crores with an almost corresponding decrease in Rupee securities from Rs. 26 .49 crores to Rs. 25 .50 crores. There had been practically no change in gold bullion and coin held in reserve since the Reserve Bank took over this function.

Further increase in total Notes issued.

Notes in Banking Department decrease.

In the first two weeks of October notes in the Banking Department showed a considerable decrease from Rs. 37 .80 crores to Rs. 32 .25 crores, while notes in circulation increased from Rs. 156 .31 crores to Rs. 161 .97 crores. The total of notes issued changed but slightly. In the third week Notes in the Banking Department increased by Rs. 231 .63 lacs while those in circulation declined by Rs. 205 .76 lacs, the total issue increasing slightly to Rs. 194 .47 crores. In the following two weeks again there were hardly any changes worth mentioning.

No important changes.

In the first week of November notes in circulation increased almost equally but in the succeeding three weeks, notes in the Banking Department increased substantially from Rs. 31 .59 crores to Rs. 34 .58 crores, while notes in circulation decreased from Rs. 162 .90 crores to Rs. 160 .36 crores. The total notes issued increased somewhat from Rs. 194 .50 crores to Rs. 194 .95 crores. Silver coin still continued to return though on smaller scale and increased from Rs. 58 .37 crores to Rs. 58 .81 crores. Securities both sterling and Rupee and Gold bullion and coin held in reserve were unaltered during this period.

During December there was a steady decline in notes held in the Banking Department, while those in circulation increased, the former standing at Rs. 21.22 crores at the end of December and the latter at Rs. 172.05 crores. The total notes issued decreased during the month standing at Rs. 193.27 crores on the last day. Rupee Coin held decreased slightly to Rs. 57.11 crores at the finish. Other items were all practically unchanged, Sterling securities amounting to Rs. 66.18 crores and total of Gold coin and bullion at Rs. 44.42 crores at the close.

Steady decline in Notes in Banking Department.

TREASURY BILLS.

Though money was in good demand throughout the first half of January for trade purposes the market re-invested a large portion of the proceeds from Treasury Bill maturities in three months' bills both by tender and on tap. In the first week Government increased the rate for the acceptance of tenders from Rs. 1-7-9 per cent. to Rs. 1-9-9 per cent. Maturities during this period amounted to Rs. 262 .75 lacs while renewals aggregated Rs. 405 lacs including Rs. 105 lacs of intermediates. During the second week Government raised the rate of acceptance to Rs. 1-12-0 per cent. which attracted Rs. 152 .75 lacs, maturities being of a like amount. Money was extremely tight during the third week of January, but Government further increased the rate of acceptance to 2 per cent. receiving Rs. 155.75 lacs at that rate against maturities of Rs. 166 .25 lacs. During the closing week, however, renewals were comparatively smaller at Rs. 265 .25 lacs against maturities aggregating Rs. 324 .25 lacs. With call money steady at about 3 to 3½ per cent. and one to three months' deposits quoting 2½ to 3 per cent., it was somewhat surprising that Government received more than a crore in intermediates. It was, however, believed that foreign funds were seeking investments in the India Treasury Bill market.

Large blocks invested in Treasury Bills.

Acceptance rate raised.

Further increase in yield on Treasury Bills.

Foreign funds seeking investment in Treasury Bills.

February saw no change in the monetary situation and it was felt that Government should expand currency to meet the growing volume of demand for funds and thus mitigate the stringency in the market. Though the average rate of acceptance of tenders was unchanged at 2 per cent. the market continued to invest in Treasury Bills. Renewals during the second week of February amounted to Rs. 254 .50 lacs, including intermediates of Rs. 104 .50 lacs, whereas maturities amounted to Rs. 163 .50 lacs. Some easiness was experienced in rates during the succeeding week, mainly owing to the flow of fresh money accruing from heavy Treasury Bill maturities amounting to Rs. 335 lacs. Renewals aggregated only Rs. 162·50 lacs, but easiness was temporary, and money became stringent in the last week of February, call funds hardening up to 3½ to 4 per cent. Treasury Bill maturities were heavy at Rs. 479.25 lacs, but renewals amounted to Rs. 151 .50 lacs, of which intermediates were only Rs. 1 .50 lacs. To render the money market somewhat favourable, Government discontinued the sale of intermediate bills from 27th of February, and reduced the amount of tenders from Rs. 1½ crores to Rs. 1 crore as from March 5, 1935.

Yield unchanged.

Heavy Treasury Bill maturities.

In the first week of March the outstanding factor was the expansion of currency to the extent of Rs. 3 crores against Sterling assets on the 7th of March. This tended to render money a shade easier, but the general demand for funds persisted. Treasury Bill maturities amounted to Rs. 215 lacs with renewals of Rs. 1 crore. The issue of the Reserve Bank of India shares was imminent, and probably with an eye on that Government discontinued the sale of Treasury Bills from 12th March. During the remaining period of the month the market continued to receive the proceeds from the Treasury Bill maturities amounting to Rs. 396 lacs.

Currency expanded.

Sale suspended.

Government resumed the sale of three months' Treasury Bills to the value of Rs. 1 crore on the 16th April at the average rate of acceptance of tenders of Rs. 1-12-0 per cent. per annum. During the first half of the month the market received Rs. 407.75 lacs from maturing Treasury Bills, and during the next two weeks was in possession of further Rs. 421 lacs of which Rs. 2 crores were re-invested in renewals; the rate of acceptance of tenders was lower by a fraction at Rs. 1-11-11 per cent.

Sale resumed.

During the first half of May money was in good demand, maturities exceeding renewals substantially. The rate of acceptance was fractionally raised to Rs. 1-12-0 per cent. During the last two weeks there was no noteworthy features except that the rate of acceptance was lowered to Rs. 1-11-7 per cent. from the 21st, and raised again to Rs. 1-11-10 per cent. per annum on the 28th May. The Treasury Bill maturities amounted during the month to Rs. 747 .75 lacs with renewals of Rs. 5 crores.

Investment in Treasury Bills continues.

During the first fortnight of June money was slightly easier, and the market was in a comfortable position, and Government received Rs. 1 crore each week for Treasury Bill tenders at the average rate of Rs. 1-11-10 per cent. During the remaining period of June maturities for each week were more or less off-set by renewals, the average rate of tenders being unchanged at Rs. 1-12-0 per cent.

Yield practically unchanged.

Tenders for Rs. 1 crore a week were received and allotted at about the same rate during the first two weeks of July when their sale was suspended with effect from 16th probably to facilitate the floatation of a New Rupee Loan. Maturities of Rs. 1 crore weekly, came to the market, however, and this tended to keep rates fairly cheap. The loan was actually issued on the 30th July, subscriptions to it being invited from the 5th August.

Sale suspended.

The loan programme being completed the sale of Treasury Bills was resumed from 3rd September. Tenders for Rs. 2 crores were invited and over Rs. 4½ crores were tendered at a considerably reduced return of Rs. 1-5-5 per cent. per annum as compared with nearly Rs. 1¾ per cent. prior to the suspension of sales. Tenders increased in the succeeding weeks; and only a small percentage could be allotted and that too at reduced return. The yield was lowered to Re 0-11-8 per cent. per annum by the end of September. In addition to Rs. 2 crores sold weekly by tenders, Government introduced the sale of three months' intermediate bills as from

Sale resumed.

Yield lowered.

18th September, on condition that such sales might be discontinued without notice. Large amounts of these bills aggregating Rs. 8.65 crores were purchased during September, and Government invariably exercised the option to withhold the sales of these bills without notice and actually suspended their sale with effect from 15th October. Weekly tenders were, however, still invited and money being very cheap and plentiful especially as a result of about Rs. 14½ crores having been paid out to the market on 15th September on account of the unconverted portion of 1935 bonds, Government were able to sell Rs. 2 crores worth of bills every week, though the return on them had to be somewhat increased—to about 1 per cent.—during the latter part of October. In the first week of November the market received an additional supply of over Rs. 9 crores of surplus funds through the redemption of maturing 6½ per cent. Bombay Development Loan. In the absence of demand from trade and the wait and see policy adopted by investors in connection with gilt-edged, funds had naturally to flow into Treasury Bills. Government received Rs. 2 crores every week right upto the end of December through sales of Treasury Bills at an average return of about 1 per cent. even though investments at this juncture would mature only in February and March and thus cover a part of the export season.

Large sales of Treasury Bills.

Yield slightly increased.

During December the maturities were large aggregating Rs. 16.65 crores, but these were easily met partly from renewals and partly from other sources.

Large maturities in December.

The total amount of 3 months' bills issued during the year aggregated Rs. 76,78,25,000 of which Rs. 16,50,25,000 were in intermediates. The outstanding bills at the end of the year amounted to Rs. 27,87,25,000 of which Rs. 11,87,25,000 mature in January, Rs. 10 crores in February and Rs. 6 crores in March.

Total Treasury Bills issued and outstanding.

GILT-EDGED.

The New Year saw gilt-edged very firm, with almost all scrips standing at higher levels, having registered substantial gains over the previous close. 3½ per cent. Rupee Paper advanced by nearly a Rupee to Rs. 98-15-0, and medium term bonds were in good demand. The main influence was firmness in India Sterling Stocks, as well as British Securities in the London market. Sentiment in the local market was so bullish that it was believed that but for the monetary stringency values might have risen still higher. During the succeeding two weeks of January monetary stringency affected the market rather adversely, causing a decline in prices; 3½ per cent. Rupee Paper declined to Rs. 97-12 (14th) from Rs. 98-15; 4 per cent. 1960-70 loan from Rs. 111-12 to Rs. 110-7 (17th) and 5 per cent. 1945-55 loan from Rs. 119-8 to Rs. 119-1. The fortnightly carry forward charge on 3½ per cent. Rupee Paper was quoted as high as 1½ annas per cent. for 15 days. The turnover was restricted, business being confined to carryovers. Investment demand for other issues was also on the wane. During the remaining half of January little business was recorded, sellers predominated over buyers in long term loans.

Market opens firm.

Tight money affects Gilt-edged adversely.

There was a sharp decline in prices during the last week which was caused by the continued tightness in money as well as weaker advices from London, where 3½ per cent. India Sterling Stocks which rose to £95 three weeks ago had declined to £91½; 3½ per cent. Rupee Paper sagged from Rs. 98-6 to Rs. 97-6 (31st); 4 per cent. 1960-70 loan from Rs. 110-6 to Rs. 110-1 and 5 per cent. 1945-55 loan from Rs. 118-10 to Rs. 117-10. Other quotations also registered proportional declines.

Sharp fall in prices.

India Sterling Stocks decline.

February witnessed a temporary spurt in gilt-edged values during the first week following the announcement in the Legislative Assembly by the Hon'ble The Finance Member that the 5 per cent. cut in salaries was to be restored as from April 1935. This was interpreted as suggestive of some relief in taxes on income, and induced moderate speculative buying particularly in 3½ per cent. Paper, which rose from Rs. 97-6 to Rs. 98-10 (4th). Reaction soon set in, however, and prices sagged. All other scrips were almost neglected except for a small inquiry in the medium term bonds for investment chiefly because there was no change in the monetary situation and London advices were not encouraging. During the second week of February rumours regarding the impending changes in the Cabinet of the British National Government gained currency and strong credence was given to them by the report of an increase in unemployment in Great Britain during January. These factors combined with the troubles in the commodity market unnerved operators on the London Stock Exchange and caused a wave of selling which depressed gilt-edged values. The local market followed closely the fluctuations in the prices of 3½ per cent. India Sterling Stocks. 3½ per cent. Rupee Paper opened at Rs. 98-2 but suffered a sharp decline to Rs. 96-12 (12th) at which level some purchases were reported to have been made by banks. There was a sympathetic decline in the prices of almost all scrips; 3 per cent. 1941 bonds eased from Rs. 101-1 to Rs. 100-14; 3½ per cent. 1947-50 loan from Rs. 102-4 to Rs. 101-14 and 4 per cent. 1960-70 loan from Rs. 110-5 to Rs. 109-8. 5 per cent. 1945-55 loan declined from Rs. 117-9 to Rs. 116-12. Throughout the rest of February gilt-edged market was dominated by weaker advices from London and there was a sharp set-back in prices in almost all scrips. Moreover trading was very much restricted as market sentiment showed the usual pre-budget hesitancy which also pervaded other local markets. 3½ per cent. Rupee Paper suffered a fall from Rs. 97-10 to Rs. 96-10-6 on 22nd. 4 per cent. 1960-70 loan eased slightly to Rs. 109-10 and 5 per cent. 1945-55 loan from Rs. 117-1 to Rs. 116-12 and to Rs. 116-5 at the end of the month.

Temporary spurt in Gilt-edged.

Sharp decline in prices.

Fall in prices continues.

In the March perspective the European political situation suddenly took a grave turn on the announcement of the German Government regarding Air Armament which was followed by similar militariastic measures by other European States. These disquieting influences in succession continued to dominate the markets of the world. The local market mainly followed movements in London specially in regard to the India Sterling Stocks. In the opening week of March the tone of gilt-edged was dull though a spasmodic recovery resulted by some covering of sales on the report of the expansion of currency. Prices, however, showed a downward trend later and 3½ per cent. Rupee Paper dropped to Rs. 95-8 (6th) following a decline in the 3½ per cent. India Sterling Stock from £98-0 to £94-15-0. Other bonds ruled

Grave European Political situation causes prices to decline.

easier in sympathy. 4 per cent. 1960-70 loan declined from Rs. 109-10 to Rs. 108-11 (7th) and 4½ per cent. 1955-60 loan from Rs. 116-8 to Rs. 116. 5 per cent. 1945-55 loan, however, kept steady ranging between Rs. 116-7 and Rs. 116-11. In the middle of March the market was healthier following firm London advices and the cessation of the sale of three months' Treasury Bills. 3½ per cent. Rupee Paper advanced to Rs. 96-10 (14th) and all other medium term bonds maintained their values. But this recovery proved short-lived, and during the last two weeks the market was highly nervous on the alarming news regarding Germany's decision for military conscription, which further complicated the European political situation. Gilt-edged in London sagged and the prices locally suffered a sharp drop; 3½ per cent. Rupee Paper fluctuated erratically going as low as Rs. 91-14 (23rd) and recovering to Rs. 92-13 (26th) declined again to Rs. 88-14 on the 30th on heavy unloading by nervous holders. Other medium and long term bonds showed substantial losses; 3 per cent. 1941 bonds declined from Rs. 100-11 to Rs. 100-0; 3½ per cent. 1947-50 loan from Rs. 102-0 to Rs. 100-15, 4 per cent. 1960-70 loan from Rs. 108-11 to Rs. 103 and 5 per cent. 1945-55 loan from Rs. 116-12 to Rs. 114-12.

Prices recover temporarily.

Further fall in prices.

April saw no marked improvement in the political situation in Europe, which was still a dominating factor. The local market took a gloomy view and remained nervous in sympathy with the London market where 3½ per cent. India Sterling Stock registered a precipitate fall from £94 to £92. 3½ per cent. Rupee Paper after an initial recovery to Rs. 90-15 (2nd) slumped to as low as Rs. 88-15 on the 6th though at the lower levels there was some enquiry from Banks; the turnover was comparatively small. However investment demand for other scrips was negligible with prices tending downward. 4 per cent. 1960-70 loan moved between Rs. 103-2 and Rs. 103-4 and 5 per cent. 1945-55 loan between Rs. 115 to Rs. 114-12. During the early part of the second week gilt-edged prices sagged to further low levels, 3½ per cent. Rupee Paper declining to Rs. 87-8; 4 per cent. 1960-70 loan to Rs. 103-2 and 5 per cent. 1945-55 loan to Rs. 114-13. During the latter part, however, advices from London were firm owing to optimism regarding the British budget and India Sterling Stocks showed marked strength. In consequence gilt-edged in the local market were healthier and prices tended upward. Purchases were reported on account of the Imperial Bank and also by the Reserve Bank which induced bear covering with the result that 3½ per cent. Rupee Paper gradually recovered to Rs. 91-11 (9th). Movements in other scrips showed some improvement, and the volume of business was fair-sized. 4 per cent. 1960-70 loan advanced to Rs. 104-6 (10th) and 5 per cent. loan 1945-55 to Rs. 115-6. Throughout the remaining period of the month gilt-edged were steady, the main source of strength being firm advices from London where 3½ per cent. India Sterling Stocks advanced to £95½ in sympathy with British securities owing to the sound and encouraging British budgetary position. Fortunately disturbing political influences were absent during the period. The last week witnessed sharp rise in values; 3½ per cent. Rupee Paper advanced from Rs. 91-9 to as high as Rs. 94 on the 26th. Business was moderate and both short and long term loans were in good demand. 3½ per cent. 1947-50 loan improved and closed

Market nervous and weak.

Banks buy at lower levels.

Prices improve.

Steady tone prevails.

Sharp advance in rates.

at Rs. 101-14; and 4 per cent. 1960-70 loan to Rs. 106-14. 5 per cent. 1945-55 loan opened at Rs. 114-12 but gradually rose to Rs. 117.

During the first week of May the market opened steady but again the news regarding German Naval Re-armament proved unsettling and created nervousness. 3½ per cent. Rupee Paper gradually relapsed from Rs. 94 to Rs. 92-10 on the 3rd May. Other scrips, however, remained practically unchanged. Business was very restricted. During the second week there was no change of importance. Throughout the remaining half of May a steady tone was maintained chiefly on account of firm advices from London where 3½ per cent. Sterling Stock quoted £99; 3½ per cent. Rupee Paper advanced from Rs. 93 to Rs. 95-6 on the 23rd. Another contributory factor was the report that interested buying of medium loans to a considerable amount was carried out in Calcutta; consequently all other scrips registered gains. 3½ per cent. 1947-50 loan improved from Rs. 101-13 to Rs. 102-9, 4 per cent. 1960-70 loan from Rs. 106-7 to Rs. 107-9 and 4½ per cent. 1955-60 loan from Rs. 111 to Rs. 112-4. 5 per cent. 1945-55 loan was steady improving to Rs. 117-10. Towards the close of the month, however, prices showed a slightly sagging tendency and 3½ per cent. Rupee Paper declined from Rs. 95-6 to Rs. 93-15 on the 29th. Other bonds however were steady.

Prices react.

Tone of Market steady.

Prices recover all round.

During the second week of June conditions in the local gilt-edged market were easy following a gradual recession in the quotations in the London market where 3½ per cent. India Sterling Stock declined to £96. 3½ per cent. Rupee Paper reacted in sympathy and with narrow fluctuations declined from Rs. 95 to Rs. 94-2 (12th). All other scrips were a shade quieter, 4 per cent. 1960-70 loan at Rs. 106-13 and 5 per cent. 1945-55 loan at Rs. 117-6. During the last two weeks gilt-edged were on the whole steady and prices varied negligibly. 3½ per cent. Rupee Paper moved between Rs. 95-4 and Rs. 94-3. For medium term bonds there were sellers but few buyers; however, these scrips showed no significant movement either way.

Prices react.

Good demand for medium term Bonds.

There was no important change in the first week of July, and prices were maintained but with a somewhat easier tendency.

On 10th July, the Secretary of State for India issued the prospectus of a new India Sterling Loan for £10 million stock bearing interest at 3 per cent. per annum and redeemable at par on 3 months' notice on 1st August 1952 if not repaid at any time after 1st August 1949. The issue price was £98 and the subscription list was opened on Thursday, 11th July, and closed the same day. The terms were regarded as so attractive that the loan was oversubscribed in ten minutes of opening. Total subscriptions exceeded £72 million and applicants over £500 received only 14 per cent. and under £500 nil. Dealings in the New Loan started at 3/8 to 5/8 premium. This had a healthy reaction on the local gilt-edged market and 3½ per cent. Paper which had declined to Rs. 94-11 improved to Rs. 95-6, but dealings were on a restricted scale. Other scrips were practically unchanged, short terms being in modest demand.

New India Sterling Loan issued.

Loan result.

European Political situation disquieting.

The political situation in Europe at this juncture was disquieting and affected gilt-edged adversely. There was general selling and irredeemable loans particularly were marked down. 3½ per cent. India Sterling Loan declined from £98¼ to £97½ and 3½ per cent. Rupee Paper dropped in sympathy to Rs. 94-8 (25th).

New Rupee Loan issued.

On 30th July, Government of India announced the issue of a new taxable 3 per cent. Rupee loan, redeemable at par on or after September 15, 1951, on 3 months' notice but not later than September 15, 1954. The issue price was fixed at Rs. 96-8. Subscriptions were to be received from 5th August in the form of cash or of 5 per cent. Bonds 1935 or 6½ per cent. Treasury Bonds 1935. The list was to be closed without notice as soon as it appeared that the total subscriptions amounted approximately Rs. 15 crores and in any case not later than 10th August 1935. If the total subscription on the first day exceeded Rs. 15 crores (nominal value) partial allotments were to be made to subscribers in cash.

Terms of the Loan.

Conversion Terms :—5 per cent. Bonds 1935 and 6½ per cent. Treasury Bonds 1935 were acceptable in subscription to the New Loan as equivalent of cash at Rs. 100-7 and Rs. 100-11 respectively per Rs. 100 nominal of bonds tendered. In addition to the advance interests, interest at the rate of 5 per cent. on the 5 per cent. Bonds and at the rate of 6½ per cent. on the 6½ per cent. Treasury Bonds upto 4th August inclusive, on the bonds accepted for conversion, was payable in cash at the time of issue of the new securities.

Loan favourably received.

The market evinced great interest in the issue and it was favourably received by investors. Heavy applications were expected and it was evident that the loan would be immediately over-subscribed. Before the actual issue, dealings were reported from Calcutta at 15/16 per cent. premium.

Result of New Loan.

The list for subscriptions to the New Loan was closed in 20 minutes of the opening, the subscription being as under :—

	Rs.
In cash	16,53 lacs.
By tender of 5 per cent. 1935 bonds	8,37 „
By tender of 6½ per cent. 1935 Treasury bonds	4,63 „
Rs.	29,53 lacs.

Cash applications for Rs. 5,000 (nominal) and under were allotted in full. Other cash applications were allotted 11 per cent. and tenderers of 1935 Bonds were allotted fully.

The result of the New Loan was very encouraging and 3½ per cent. Rupee Paper advanced from Rs. 94-15 to Rs. 95-4 and transactions in the New Loan were effected at Re. 1-0 over the issue price. Other scrips were also in steady demand. 3½ per cent. 1947-50 loan improved from Rs. 103-4 to Rs. 103-12 and 4 per cent. 1960-70 loan from Rs. 107-2 to Rs. 107-7. 4½ per cent. 1955-60

loan gained 4 annas to Rs. 114-4. 5 per cent. 1939-44 loan was steady at Rs. 108-8, 1940-43 loan at Rs. 109-13 and 1945-55 (Tax free) loan at Rs. 118.

European situation improves.

The political situation in Europe showed no signs of improvement, and investors were cautious. 3½ per cent. India Sterling Stock which had advanced to £99 declined somewhat, and 3½ per cent. Rupee Paper found several sellers with buyers holding off. The price dropped to Rs. 94-2 on 15th August.

Negotiations breakdown and prices fall sharply.

The tripartite negotiations carried on in Paris in connection with the Italo-Abyssinian dispute broke down on 19th August, and this unnerved operators in gilt-edged, causing a spate of selling. 3½ per cent. India Sterling Stocks dropped £3¾ to £94 on 20th August and 3½ per cent. Rupee Paper slumped to Rs. 87-12. At lower levels there was some influential buying to support the markets, and 3½ per cent. India Sterling stock improved to £95½ and 3½ per cent. Rupee Paper to Rs. 89-8 after reacting to Rs. 88-5. The market, however, was still nervous and there was lack of confidence in the gilt-edged evident by a general set-back in quotations. 4 per cent. 1960-70 loan declined from Rs. 107-8 to Rs. 104-10 and the New Loan which stood at about Re. 1 premium was quoted at 2 annas discount. 5 per cent. 1945-55 loan dropped from Rs. 117-15 to Rs. 116-12.

The market was now influenced entirely by Italo-Abyssinian news which was of a mixed kind and the operators adopted a policy of wait and see. But buying at lower levels by banks continued there being good demand for medium term bonds.

Forward Trading suspended.

With the uncertainty and to check speculation the Stock Exchange authorities closed forward trading in securities after the accounts in connection with 13th September settlement were squared. This was the wisest thing under the circumstances and bears hurried to cover their short sales, causing a gradual advance in quotations. 3½ per cent. Paper improved to Rs. 88-13 and the New Loan was again at a premium, *i. e.* Rs. 96-14. 4 per cent. 1960-70 loan improved to Rs. 104-14.

Erratic movements in prices.

In the first week of September there were erratic movements in 3½ per cent. Paper according to the nature of the news from Geneva regarding the Italo-Abyssinian dispute. All eyes were fixed on the League Council's meeting fixed for the 5th, and the result of the deliberations was keenly awaited. 3½ per cent. Paper declined to Rs. 87-12 but improved to Rs. 89. Medium term bonds still remained in demand from banks,

Medium term Bonds still in demand.

but there were few sellers in these scrips. In the second week the news of the European situation was somewhat better and owing to the closure of forward dealings, 3½ per cent. Paper advanced sharply, touching Rs. 91-13 (9th) on bear covering. Higher levels attracted profit-takers and furthermore, the situation in Europe again showed signs of worsening, with the result that the price of 3½ per cent. Paper declined to Rs. 89-8 (13th). Other scrips, however, were steady with moderate investment demand. The New Loan improved to Rs. 97-5 and 4 per cent. 1960-70 loan advanced to Rs. 105-12.

Prices advance.

With forward trading in securities suspended, the activity in this section was reduced to a minimum, prices fluctuating with the political news from Europe.

Activity in Market low.

There was, however, a glut of money, the market having received over Rs. 14 crores on 15th September from unconverted 1935 Bonds. Although the bulk of it found its way into Treasury Bills, a portion of it naturally came for investment into gilt-edged of short maturity, the supply of which was rather scarce so that prices were well maintained.

Market receives large funds.

In the first week of October hostilities between the Italians and Abyssinians commenced and consequently the gilt-edged market was very easy. 3½ per cent. Paper which had gradually improved to Rs. 89-14 declined sharply to Rs. 87-3 (4th). Other scrips however, were, practically unaffected owing to the paucity of other good investment propositions. But, since it became clear that the League did not contemplate any immediate action and it looked unlikely that any other European Power would get entangled in the conflict, the gilt-edged market improved in London, and the local market followed suit. 3½ per cent. Rupee Paper advanced to Rs. 89-3 (10th) and 4 per cent. 1960-70 loan to Rs. 105-5. Money being cheap, as it was in the local market, the appreciation in security values continued, and by the end of October 3½ per cent. Rupee Paper advanced to Rs. 93-8. 4 per cent. 1960-70 loan improved to Rs. 108-0 and the New 3 per cent. loan was quoted at Rs. 97-14. 5 per cent. 1945-55 (Tax free) loan advanced from Rs. 116 to Rs. 118-2.

Italo-Abyssinian hostilities commence and Gilt-edged weak.

Prices improve.

Throughout November gilt-edged ruled steady, and following improvement in India Sterling Stocks and British Funds in London, prices advanced all-round in the local market. 3½ per cent. India Sterling advanced from £94½ to £97⅝ while 3½ per cent. Rupee Paper touched Rs. 96-10 on the 28th November. 4 per cent. 1960-70 loan moved between Rs. 111 and Rs. 108-4, closing at Rs. 110-8 and 5 per cent. 1945-55 loan touching the highest rate of Rs. 119-10 on the 18th gradually declined to Rs. 118-12 (22nd) but closed at Rs. 119.

Market steadier and prices recover.

Forward transactions which remained suspended since 13th September were resumed from 23rd November.

Forward trading resumed.

On December 2, the British Government issued a prospectus for £200 million 2½ per cent. Treasury Funding Loan 1956-61 and £100 million 1 per cent. Treasury Bonds 1939-41. The issue price of the Funding loan was 96½ per cent. and the Bonds 98 per cent. The yield on the latter allowing for redemption at the latest date was £1-8-5 per cent. and on the former £2-13-10 per cent.

British Loans issued.

The subscription list of £100 million bonds closed in 10 minutes and the £200 million loan closed soon after.

Result.

This had a very healthy reaction on existing security values in London where all British Funds advanced sharply with a sympathetic rise in India Sterling Stocks, 3½ per cent. advancing to £98xd. 3½ per cent. Rupee Paper rose in the local market to Rs. 96-15 (7th), but investors were still disinclined to rush in owing to the uncertain European political

Healthy reaction on markets.

situation. Consequently the rise in other Indian scrips was relatively small and the activity in the following week subsided. 3½ per cent. India Stock declined to £97¾ and 3½ per cent. Rupee Paper receded to Rs. 95-15 (17th). Political news was somewhat disconcerting at this stage and there was a lull in the Gilt-edged markets. Money, however, being cheap the prices did not drop seriously. 3½ per cent. Paper declined from Rs. 96-6 (18th) to Rs. 95-8 the next day, but closed a shade better at Rs. 96-1. Other scrips were all unchanged at the close, 4 per cent. 1960-70 being quoted at Rs. 110-2 and 5 per cent. 1945-55 at Rs. 119-6.

Political news retard improvement in prices but tone steady.

THE RAILWAY BUDGET.

The Hon'ble Sir Joseph Bhore, the Commerce Member, presented his last Railway Budget for 1935-36 to the Legislative Assembly on Monday, the 18th February 1934.

The actuals of 1933-34 showed a deficit of Rs. 7.96 crores and this was made good from the Depreciation Fund which closed with a balance of Rs. 9½ crores.

Outlining the working of 1934-35 the Hon'ble Member pointed out that the results achieved so far justified the hope that the year would end appreciably better. The improvements in traffic receipts were larger and the total receipts were revised to Rs. 90¾ crores against Rs. 89 crores budgeted originally. The net revenue after allowing for the working expenses of Rs. 50.10 crores, excluding depreciation was estimated at Rs. 27.60 crores against the budget estimates of Rs. 26¾ crores. The interest charges were a trifle less at Rs. 31.84 crores against a provision of Rs. 32 crores. The net deficit therefore was revised to Rs. 4.24 crores, *viz.* a crore less than the budget provision. As usual this loss was to be met from the Depreciation Fund, the actual balance of which at the end of 1934-35 would stand at Rs. 11 crores.

On the subject of working expenses, the revised figures showed an increase of a little less than Rs. ¾ crore to Rs. 50.10 crores. This was due to the necessity for heavier repairs to all kinds of Railway assets including permanent way, buildings, rolling stock and equipment. The reduction effected in the expenditure since 1931-32 was mostly in the nature of postponement and the time had come when these arrears would have to be made up. The disastrous earthquake in last January would, it was anticipated, cost the railways at total of about Rs. 82 lacs between 1933-34 and 1935-36 and the protection works to the Hardinge Bridge on the E. B. Railway from the sudden floods in the Ganges another Rs. 132 lacs.

In budgeting for the fiscal year 1935-36, the total estimate of traffic receipts is put at Rs. 93½ crores and the working expenses excluding depreciation at Rs. 51.15 crores, the net revenue will therefore be Rs. 29.79 crores inclusive of miscellaneous receipts of Rs. ¾ crore. The working expenses excluding depreciation for the budget year, have increased by about Rs. 105 lacs over the revised figures for 1934-35 (Rs. 50.10 crores), chiefly due to the restoration of the balance five per cent. cut in salaries of railway employees from April 1 onwards, which was expected to absorb Rs. 92 lacs Interest payments are reckoned at Rs. 31.69 crores, leaving a deficit of Rs. 190 lacs. But for the provision of Rs. 197 lacs for the loss on strategic lines, the Commercial receipts alone would show a surplus of Rs. 7 lacs. The Depreciation Funds has again to be tapped to meet the deficit, which after this deduction, will show a closing balance of Rs. 13 crores at the end of the year. In this connection

the Hon'ble Member mentioned that they had decided that the amount to be set aside for the Depreciation Fund should be a definite fraction, *viz.*, $\frac{1}{60}$th of the total capital at charge, and accordingly the amount to be put by will be Rs. 13¼ crores, *i.e.*, about Rs. 45 lacs more than that in 1934-35. In the first ten years the average annual contribution to this Fund under the old method was Rs. 12.17 crores and under the new method, it would be Rs. 12.10 crores.

The Hon'ble Member expressed confidence in the strength and soundness of the financial position of the Indian railways. He pointed out that the net result of the working of 12 years ending with 1935-36—6 years of prosperity and 6 years of adversity—was a surplus of Rs. 14 crores and an accumulated balance in the Depreciation Fund of about Rs. 41½ crores. In other words the railways had earned, during this long period of varying fortune, a net income of over a crore a year after meeting working expenses, providing for accruing depreciation and paying interest in full on borrowed capital.

In the matter of works programme, a provision of Rs. 15 crores is made in the budget year. Of this, new works will cost Rs. 26 lacs and the purchase of a private line—Amritsar-Patti-Kasur Railway—will amount to Rs. 44 lacs, which is expected to yield a return of about 7½ per cent. The balance Rs. 14¼ crores will be spent on improvements of the open line and in this, an item of the purchase of 5,000 wagons at a cost of Rs. 2¼ crores is added. Included also in the improvements is the item of extension of electrification from Borivli to Virar on the B. B. & C. I. Railway at a cost of Rs. 30 lacs. Out of the estimated capital programme of Rs. 15 crores, the Depreciation Fund will be tapped to the extent of Rs. 9½ crores and the balance will be an addition to the Capital.

Before concluding the Hon'ble Member stated that the results achieved justified the hope of an increase in traffic earnings and as a result they had decided to reduce the surcharge on coal freights. In order to increase the passenger traffic, it was contemplated to introduce cheap III class return tickets at 1⅔ rate.

BOMBAY BUDGET.

The Hon'ble the Finance Member to the Government of Bombay, Khan Bahadur D. B. Cooper, introduced the Annual Budget for the year 1935-36 in the Legislative Council, Bombay, on Thursday, the 14th February.

Reviewing the position for the closing financial year, it was poined out that the revised estimates for 1934-35 showed a deficit of Rs. 17 lacs. The Final budget estimates provided for a revenue deficit of Rs. 10 lacs without provision for debt repayment. The revenue position had thus worsened by nearly Rs. 7 lacs, owing to the provision for payment to the Central Government of the debt instalments due for the current year, Rs. 13 lacs.

The Budget for the new financial year 1935-36 showed a deficit of Rs. 29 lacs. The revenue receipts are estimated at Rs. 14.33 crores and expenditure at Rs. 14.62 crores, including Rs. 16 lacs for debt repayment. It was expected that the sale of certain securities formerly held in various High Court Funds and now transferred to Government would yield about Rs. 27.3 lacs, which reduced the deficit to Rs. 2 lacs.

The revenue expenditure estimated for 1935-36 increased by about Rs. 59 lacs, the major items included therein being Rs. 16 lacs for debt repayment and Rs. 14 lacs for restoration of the emergency cut in pay.

It was pointed out that Government had made provision in their borrowing programme for repayment of the Bombay Development Loan of 1920 maturing on the 1st November 1935. The total amount outstanding was Rs. 8 .08 crores.

The New Budget of the Government of Bombay was again disappointing. For the past several years the finances of this Presidency have been in a sorry plight as is testified by the following table :—

	Revenue. Rs.	Expenditure. Rs.	Surplus + or deficit —
1925-26	15 .24 cr.	16 .15 cr.	— 91 lacs.
1926-27	14 .58 ,,	16 .23 ,,	— 165 ,,
1927-28	15 .34 ,,	15 .63 ,,	— 29 ,,
1928-29	15 .22 ,,	15 .55 ,,	— 33 ,,
1929-30	15 .91 ,,	15 .81 ,,	+ 10 ,,
1930-31	14 .81 ,,	15 .62 ,,	— 181 ,,
1931-32	14 .82 ,,	15 .29 ,,	— 47 ,,
1932-33	15 .25 ,,	14 .99 ,,	+ 26 ,,
1933-34	14 .61 ,,	14 .44 ,,	+ 27 ,,
1934-35	14 .19 ,,	14 .36 ,,	— 17 ,,

Several factors have been responsible for this situation—decline in revenue receipts owing to bad crops and the fall in commodity prices; shrinkage and diversion of trade; absence of genuine industrial recovery and heavy administration charges, to mention only a few. It is, however, comforting to note that Government are keenly aware of this position. With some improvement in trade and recovery in commodity prices, together with the financial adjustment which will precede the advent of Provincial Autonomy, it is hoped that the finances of the Government of Bombay will be placed on a sound and stable basis.

THE GENERAL BUDGET.

The Hon'ble Sir James Grigg, Finance Member with the Government of India, introduced the first budget for 1935-36 on Thursday, the 28th February 1935.

The revised estimates for 1934-35 showed a considerable improvement and the surplus was expected to be Rs. 327 lacs instead of Rs. 10 lacs as anticipated in the budget of Sir George Schuster. The difference was made up of an improvement in revenue of Rs. 387 lacs and a deterioration of Rs. 70 lacs in expenditure. The surplus was mainly derived from Customs, the principal items being sugar, cotton, fabrics and yarn and textile fabrics other than artificial silk. Under the head Interest, there was an increase of Rs. 26 lacs only, but this was made up of a considerable reduction of rupee, combined with a somewhat greater increase of sterling receipts.

On the expenditure side, the main portion of the increase of Rs. 70 lacs was due to the allocation to Bengal, Bihar and Orissa and Assam of a larger share of the proceeds of the jute duty. The estimated income from the excise duty on matches was reduced to Rs. 138 lacs.

Dealing with the actual results of 1933-34, it was stated that the actual surplus amounted to Rs. 272 lacs instead of Rs. 129 lacs as anticipated. It was proposed to retain Rs. 210 lacs in the suspense account for financial assistance to the Government of Bihar and Orissa for repairing the damage done to the property of Government and local bodies as well as for carrying out other projects of reconstruction. The surplus which was carried forward was Rs. 62 lacs. At the end of March 1935, there would be two surpluses in hand, one for 1933-34 of Rs. 62 lacs and one for 1934-35 of Rs. 327 lacs making Rs. 389 lacs in all.

The total revenue for 1935-36 is budgeted for Rs. 90,19 lacs compared to the revised estimate of Rs. 91 crores for 1934-35. Customs revenues are estimated at Rs. 51,92 lacs showing an increase of Rs. 75 lacs over the revised figure. The main variations are a decline of Rs. 2 crores in the import duty on sugar combined with increases of Rs. 35 lacs on the sugar excise, of Rs. 65 lacs on the match excise and of Rs. 43 lacs on kerosene and petrol. Revenue from taxes on income is anticipated at Rs. 17,76 lacs. There is a large reduction of Rs. 129 lacs under the head " Interest " accounted for by the transfer of the currency functions and therefore the reserves of the Government of India to the Reserve Bank.

On the expenditure side, the budget estimate stands at Rs. 88,69 lacs, showing an increase of Rs. 96 lacs which is almost entirely due to the restoration of the pay cut. Apart from this there are minor increases mostly on the new services. There is also an increase in the Defence Budget and taking into account the restoration of pay cut and provision for new or postponed services, the estimated figures will be about Rs. 45 crores.

With regard to reduction and avoidance of debt, it is proposed to provide the same amount, *i.e.*, Rs. 3 crores as in the last two years.

On the subject of Way and Means position, the Hon'ble Member referred to the changes due to the inauguration of the Reserve Bank. The assets of the Currency Department were to be transferred to the Bank with effect from April 1, 1935. From that date the Reserve Bank is responsible for supplying the Secretary of State with sterling for his London requirements. As a consequence of this, the balance of the Secretary of State will be reduced to a nominal amount of £ 500,000 at the end of the fiscal year. Another notable change is creation of a Silver Redemption Reserve. The Hon'ble Member pointed out that according to the estimates the total of remittances of Sterling in 1935-36 would reach £ 39 million compared to £ 26 .7 million as provided in 1934-35. If the estimate is realised, it should be possible to set aside not only the Rs. 10 crores required for the Silver Redemption Reserve, but to increase by about Rs. 14 crores the external assets held as security for the note issue.

The net receipts from Post Office Cash certificates had been reduced in the revised estimate for 1934-35 from Rs. 550 lacs to Rs. 278 lacs and in the Budget Rs. 275 lacs are estimated under this head. For Provincial requirements, the estimated provision is for Rs. 10,82 lacs mainly owing to the fact that it is decided to finance the repayment of the Bombay Development Loan, 1935.

Treasury Bills outstanding at the end of 1935-36 are estimated at Rs. 46 crores as against Rs. 49½ crores in the previous year.

Referring to the borrowing programme the Hon'ble Member stated that provision would have to be made for the repayment of Rs. 16 crores of 6½ per cent. Treasury Bonds, 1935, and Rs. 11.4 crores of 5 per cent. bonds, 1935. There was also the option of repaying £ 11.9 million of 6 per cent. Sterling bonds, 1935-37 and £ 3½ million of East India Railway 4½ per cent. Debenture stock, 1935-55. The total amount of loans which could be repaid or converted aggregated about Rs. 48 crores. Allowing for a remittance of £ 26 million, it was anticipated that all these liabilities would be met without raising more than 25 crores.

With regard to gold exports, the remarks of the Finance Member are significant :—

> "I do not propose to discuss at length the arguments which have been advanced in favour of restricting these exports, but I take this opportunity of saying that I cannot share the views which attribute to them some abstruse monetary significance, nor do I find in them an indication that India is being driven by distress to part with her last reserves. Indeed I can see no sufficient reason for placing them in a different category from exports of any other commodity of which India has a surplus, and I therefore find no cause for regret of alarm in the fact that India is still able to obtain so handsome a profit from the reserves of gold which had been accumulated in previous years."

Turning to the proposals in regard to the balance of Rs. 389 lacs accruing in respect of increased realisation for 1933-34 and 1934-35 and the surplus of Rs. 150 lacs estimated in the budget, the Finance Member pointed out that the former, which he considered non-recurrent balance, would be apportioned as follows :—

(1) Rs. 1 crore for grants to provinces to be spent on schemes for rural economic development.
(2) Rs. 40 lacs as a special contribution to the Road Development Fund.
(3) Rs. 25 lacs for schemes of development in the North West Frontier Province.
(4) Rs. 20 lacs for the Development of Broadcasting.
(5) Rs. 93 lacs for civil aviation programme and
(6) Rs. 36 lacs in connection with the transfer of the Pusa Institute to Delhi.

The remainder of the surplus amounting to Rs. 75 lacs would form an additional contribution towards the reduction of debt.

With regard to the surplus of Rs. 150 lacs, it was proposed to reduce the import duty on silver from 5 annas to 2 annas an ounce. The Finance Member expected that this will entail no reduction in revenue as it was calculated to render smuggling unprofitable. The additional import duty on salt was extended for one year.

Export duty on raw skins was abolished and the loss of revenue under this head was Rs. 8 lacs. It was proposed to dispose of the remaining surplus of Rs. 142 lacs by a one-third reduction of the surcharge on income-tax and super-tax and one-third reduction in the tax on incomes between Rs. 1,000 and Rs. 2,000. The cost was estimated Rs. 136 lacs, leaving a nominal surplus of Rs. 6 lacs.

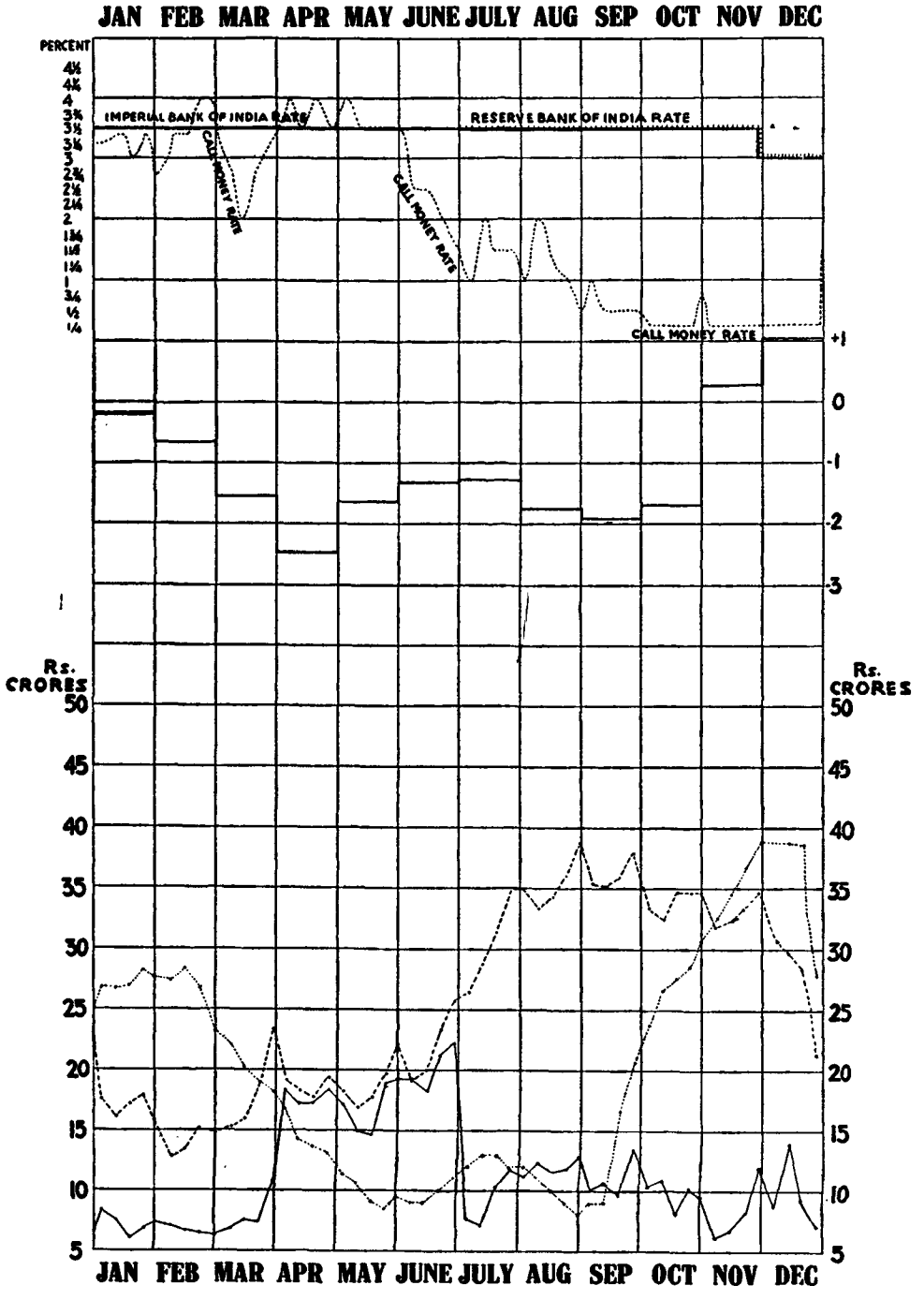
In conclusion Sir James Grigg observed :—

" Clearly this Budget will completely satisfy very few people. It certainly does not satisfy me. There are many who will bitterly complain that it has not been possible to remove the whole of the emergency taxes on income. I myself am extremely disappointed that it has not been possible to take the first steps in the revision of our revenue tariff in a downward direction. Certainly it is far too complicated and on both counts it is a restraint on trade and recovery. No doubt I shall be told that if only I had exercised a little more imagination, both of these desirable objects could have been achieved but do not lest us forget that imaginative financiers usually end up in gaol. In any case we have before us the task of financing the inception of Provincial Autonomy. This cannot be performed by any effort of pure imagination, but if we continue in the path of prudence we shall, I believe, find that we can fulfil it triumphantly and what is more from time to time provide further alleviations to taxpayers."

The Budget was received calmly, and there was no adverse effect on any market. It was balanced and revealed the sound position of India's finances. The proposal for one-third reduction of the surcharge on income-tax and super-tax was very disappointing as the market anticipated that *pari passu* with the restoration of the full pay cut, Government would remove the emergency surcharge and fulfil their pledge in this respect. It appears that with minor adjustments they could have reduced at least 50 per cent. of the surcharge if not the whole.

The expenditure on Defence amounts to Rs. 45 crores on a total budgeted expenditure of Rs. 89.19 crores, representing over 50 per cent. of the total expenditure. It is sincerely hoped that the Government of India will see their way to effect economies, wherever possible, and reduce this item substantially.

MONEY AND GOVERNMENT SECURITY CHART—1935.



——— This line represents the monthly average rise or fall in per cent. from the opening rates of the year on all Government Securities taken at their face value of Rs. 100.

..... This line represents Weekly outstandings of Treasury Bills.

- - - - - - This line represents cash balances of the Imperial Bank of India and of the Reserve Bank of India.

——— This line represents Government deposits at the Imperial Bank of India and the Reserve Bank of India.

STERLING EXCHANGE.

The sterling exchange market was steady, with a firm undertone during the first half of January with sellers of ready T. T. quoting 1*s.* $6\frac{1}{16}d.$ and buyers 1*s.* $6\frac{3}{32}d.$ Though fresh business in connection with gold export was practically absent and merchandise export bills were small, strength was maintained by firm monetary conditions. Government received during this period heavy tenders for sterling, amounting to over £45 million on the 2nd and over £ 51 million on the 9th, only 2 .2 per cent. in the first instance and 1 .9 per cent. in the second instance being allotted at 1*s.* $6\frac{1}{16}d.$ The market got a surprise on the 14th January when Government took the unprecedented step of changing the tap rate for sterling purchases during the middle of the week. Ordinarily the tap rate is changed after the weekly tenders have been received and allotted, which according to customary procedure was done on Wednesdays. It was believed that the probable reasons that prompted Government to take such an unusual step was a fair amount of tapping by banks at 1*s.* $6\frac{3}{32}d.$ Monetary tightness contributed to the situation, ordinary trade factors having comparatively little interest. The effect of raising the rate from 1*s.* $6\frac{3}{32}d.$ to 1*s.* $6\frac{1}{8}d.$ was, however, to impart strength to all positions. Business in ready T. T. was reported as high as 1*s.* $6\frac{7}{64}d.$, the general quotations being 1*s.* $6\frac{3}{32}d.$ for sellers and 1*s.* $6\frac{1}{8}d.$ for buyers. Forward quotations were also steady, 1*s.* $6\frac{3}{32}d.$ being available for February/March. Government received on 23rd January £ 150,000 tenders for sterling at 1*s.* $6\frac{1}{8}d.$ and over £55 million were tendered at 1*s.* $6\frac{3}{32}d.$ of which Government allotted only 1 .5 per cent.

Market opens steady.

Large tenders of Sterling.

Sudden change in Tap rate.

Tight money causes sterling to keep steady.

Large tenders continue.

During the last week of January the market continued firm with sellers of ready T. T. at 1*s.* $6\frac{3}{32}d.$ and buyers at 1*s.* $6\frac{5}{32}d.$ An additional factor which accounted for the continued firmness in rates was a fair amount of fresh business done in gold for immediate shipment. Sterling tendered to Government on the last day amounted to £ 915,000 at 1*s.* $6\frac{5}{32}d.$ which were allotted in full.

Market continues firm.

Barring a temporary slight recession in quotations during the second week of February sterling exchange was firm throughout with sellers of ready T. T. quoting 1*s.* $6\frac{9}{64}d.$ and buyers 1*s.* $6\frac{11}{64}d.$ Although the monetary situation was largely responsible for the strength in the market, merchandise export bills were showing on a moderate scale, and there was a fair turnover in gold for export. Government received on the 13th £ 1,745,000 sterling at 1*s.* $6\frac{5}{32}d.$, which were allotted approximately 57 per cent., lower tenders being rejected. Forward positions were steady, March/April quotation being 1*s.* $6\frac{3}{32}d.$ and May 1*s.* $6\frac{1}{16}d.$ There was no change of consequence during the third week, sellers of ready T. T. quoting 1*s.* $6\frac{1}{8}d.$ and buyers 1*s.* $6\frac{5}{32}d.$, occasionally business passing at 1*s.* $6\frac{9}{64}d.$ Some business was done in connection with the export of gold mainly for forward delivery, but merchandise export bills were negligible. Government continued to buy sterling offered through tenders at 1*s.* $6\frac{5}{32}d.$ During the last two weeks tenders for one million sterling each week amounted to £ 1,895,000 which were allotted in full.

Temporary recession in rates.

Moderate merchandise bills placed.

Gold exports help sterling.

Sterling exchange was quiet during the first week of March, sellers of ready T. T. quoting 1*s.* $6\frac{3}{32}d.$ and buyers 1*s.* $6\frac{5}{32}d.$ After the publication of the sterling tender result on the 6th when Government received only £ 15,000 at 1*s.* $6\frac{5}{32}d.$ and further following the reduction by Government in the tap rate to 1*s.* $6\frac{5}{32}d.$ sellers were reluctant even at 1*s.* $6\frac{1}{8}d.$ The succeeding week, however, saw a marked recovery in exchange, sellers' quotation of ready T. T. improving to 1*s.* $6\frac{7}{64}d.$ and buyers to 1*s.* $6\frac{9}{64}d.$ The governing influence was a fair turnover for gold for both ready and forward shipment, in addition to firmness in money rates.

Shade quieter feeling.

Rates steady up.

Government received tenders for one million sterling amounting to £ 220,000 at 1*s.* $6\frac{1}{8}d.$ on the 13th which were allotted in full. Forward positions were steady, the quotation for April being 1*s.* $6\frac{1}{16}d.$ and for May and June 1*s.* $6\frac{1}{32}d.$ During the last two weeks sterling exchange was steady with sellers quoting 1*s.* $6\frac{7}{64}d.$ and buyers 1*s.* $6\frac{9}{64}d.$ Fresh business for gold export was small and merchandise export bills showed no improvement. Government received tenders for over £ $2\frac{1}{2}$ million and £ 2 million for each week at 1*s.* $6\frac{1}{8}d.$, of which approximately 38 per cent. and 50 per cent. were allotted respectively. These were the last currency operations under the old regime.

Forward rates steady.

During the first week of April sterling exchange was slightly easier owing to paucity of merchandise export bills coupled with the absence of fresh business in gold export. Sellers of ready T.T. appeared at 1*s.* $6\frac{5}{64}d.$ and buyers quoted 1*s.* $6\frac{7}{64}d.$ During the middle of the month, however, quotations improved and ruled steady, the rate for ready T. T. for sellers advancing to 1*s.* $6\frac{3}{32}d.$ and for buyers to 1*s.* $6\frac{7}{64}d.$ Recovery in rates was entirely due to monetary tightness. Forward positions were also steady, the quotation for May being 1*s.* $6\frac{1}{16}d.$ and June-July 1*s.* $6\frac{1}{32}d.$ In the last week sterling exchange ruled very steady mainly due to intensified monetary stringency business in connection with the export of gold and merchandise being very small. During April Government bought sterling amounting to £ 362,500 at the uniform rate of 1*s.* $6\frac{1}{8}d.$ lower tenders being rejected.

Slightly easier feeling.

Quotations improve.

Monetary stringency causes firmness.

May saw no change in the sterling exchange market, sellers of ready T. T. quoting 1*s.* $6\frac{3}{32}d.$ and buyers 1*s.* $6\frac{5}{32}d.$ The volume of offerings for tender for one million sterling during the first two weeks of May grew larger each week, the total amount offered at 1*s.* $6\frac{1}{8}d.$ being £ 1,020,000 on the 1st and £ 1,550,000 on the 8th May, of which approximately 98 per cent. and 65 per cent. respectively were allotted. In the middle of the month quotations ruled very firm, sellers of ready T. T. quoting 1*s.* $6\frac{7}{64}d.$ with few buyers at 1*s.* $6\frac{5}{32}d.$ The factors accounting for this situation were the continued monetary tightness as well as advices from other centres, particularly Calcutta, where jute bills were reported to have been placed in a fairly large quantity. The forward quotations were also steady, the rate upto end of July being 1*s.* $6\frac{3}{32}d.$ and for August 1*s.* $6\frac{1}{16}d.$ During the third week the tone of the local market was a shade quieter following monetary ease in Calcutta, though rates in the local market remained practically unchanged throughout the rest of the month at 1*s.* $6\frac{7}{64}d.$ for sellers and 1*s.* $6\frac{9}{64}d.$ for buyers with occasional business passing at the middle rate.

Large tenders to Government.

Monetary stringency continues.

There was no business done in connection with the export of gold and merchandise bills appeared on a small scale. Forward positions continued steady, June/July quoting 1*s.* $6\frac{3}{32}d.$, August/September/October 1*s.* $6\frac{1}{16}d.$ The total purchases of sterling during May amounted to £ 5,000,000 at the uniform rate of 1*s.* $6\frac{1}{8}d.$ and £ 340,000 at the tap rate of 1*s.* $6\frac{5}{32}d.$

Little business in Gold.

Conditions remained unchanged during the first week of June, but in the succeeding week sterling exchange was a shade easier with few buyers at 1*s.* $6\frac{1}{8}d.$ and sellers at 1*s.* $6\frac{7}{64}d.$ Easy monetary conditions accounted for this situation. There was no business in connection with gold export, though merchandise export bills were placed on a moderate scale. Forward positions were steady though business transacted was small, quotations being 1*s.* $6\frac{3}{32}d.$ for July and 1*s.* $6\frac{1}{16}d.$ for August/December. During the last two weeks of June sterling exchange ruled steady with sellers of ready T. T. at 1*s.* $6\frac{3}{32}d.$ and buyers at 1*s.* $6\frac{1}{8}d.$ The strength of the market was maintained on account of the appearance of a fair amount of merchandise export bills in other centres. Fresh business in export of gold was negligible. Forward positions were steady, but unchanged. During this month the total purchases of sterling amounted to £ 2,767,500.

Shade easier tone.

In the first week of July sterling exchange was a shade easier due to monetary situation, but in the following week rates again firmed up to 1*s.* $6\frac{3}{32}d.$ for sellers and 1*s.* $6\frac{1}{8}d.$ for buyers of ready T. T. Fresh business done in gold for export and a little steadiness in money were the factors responsible for the strength. While Government received no tenders for sterling at 1*s.* $6\frac{1}{8}d.$ in the first week they received £ 60,000 in the second week which were accepted.

Easy money responsible for quieter tone.

Throughout the remainder of July, rates were practically unchanged at 1*s.* $6\frac{3}{32}d.$ and 1*s.* $6\frac{1}{8}d.$ for sellers and buyers of ready T. T. respectively, though occasional business was placed at the middle rate. Gold continued to be the mainstay of the market, since merchandise export bills were negligible. Government bought sterling every week at 1*s.* $6\frac{1}{8}d.$ the total purchases during the month amounting to £ 1,100,000. Forward rates were also steady, delivery upto December being quoted at 1*s.* $6\frac{3}{32}d.$ by sellers of ready T. T.

No change in rates.

Early in August no fresh business for gold export was done, but this was compensated by the appearance of jute export bills in the Calcutta market which helped to maintain sterling exchange rates at unchanged. There were practically no merchandise export bills in the local market, this being the usually slack period for export trade. No tenders of sterling were made to Government at 1*s.* $6\frac{1}{8}d.$ and all lower tenders were rejected. In the second week of August, fresh business was again possible in gold in the local market and this coupled with the appearance of jute export bills in Calcutta kept sterling exchange rates quite steady. Forward positions were well maintained, 1*s.* $6\frac{3}{32}d.$ being quoted upto the end of the year.

Jute bills appear.

Tenders rejected by Government.

Government again received sterling tenders at 1*s.* $6\frac{1}{8}d.$ accepting £ 220,000 in the second week and one million each in the following two weeks. Sellers of ready T. T. now began to quote 1*s.* $6\frac{7}{64}d.$ with buyers at 1*s.* $6\frac{9}{64}d.$ and 1*s.* $6\frac{1}{8}d.$ was available for

Steadier tone manifest.

forward positions upto the end of the year. Continued large export of gold was wholly responsible for the position, money exerting little influence on rates, being as cheap as ½ per cent. for call loans.

Market firm.

During the first three weeks of September sterling exchange ruled firm with sellers of ready T. T. at 1*s.* $6\frac{7}{64}d.$ and few buyers under 1*s.* $6\frac{9}{64}d.$ Tenders to Government at 1*s.* $6\frac{1}{8}d.$ were large and only partial allotment was made. Considerable interest was evinced by foreign investors in Indian Treasury Bills, resulting into a large turnover in exchange, rates for sport and forward being the same. In fact rates were even right upto March 1936. In the last week of September, there was a slightly easier tendency in sterling particularly for near position owing to the monetary situation and also to lack of supply of export bills against gold as well as merchandise. Jute bills in the Calcutta market were also considerably reduced. While the rate for sellers of ready T. T. was still unchanged at 1*s.* $6\frac{7}{64}d.$ there were buyers at 1*s.* $6\frac{1}{8}d.$ and tenders to Government at this rate shrank considerably being £ 190,000 against over £ 2 millions in the preceding weeks. Foreign investors ceased to take interest in Indian Treasury Bills owing to the reduction in the return to the low figure of about $\frac{11}{16}$ per cent. per annum.

Foreign investment in Indian Treasury Bills.

Rates a little easier.

In the first week of October, there was a temporary quietness in rates, sellers now quoting 1*s.* $6\frac{3}{32}d.$ and buyers 1*s.* $6\frac{1}{8}d.$ This was chiefly due to relative absence of business. Tenders to Government at 1*s.* $6\frac{1}{8}d.$ amounted to only £ 75,000. In the second week, however, there was renewed demand for export of jute from Calcutta and this caused a plentiful supply of export bills in that market. There was a sympathetic feeling in the local market although export bills against gold and merchandise were somewhat lacking. Sellers again appeared at 1*s.* $6\frac{7}{64}d.$ which rate was available right upto March 1936, but buyers quoted 1*s.* $6\frac{1}{8}d.$ Tenders to Government at 1*s.* $6\frac{1}{8}d.$ increased somewhat, being £ 280,000 in the second week, £ 345,000 in the third week and over a million in the last week of October.

Jute exports cause firmness of sterling.

Steady tone continues.

During the first half of November, the tone of the market was quiet steady with rates practically unchanged. Gold was once again the mainstay of the market, although there was moderate amount of merchandise export bills placed in the local market. Government received tenders for more than a million a week at 1*s.* $6\frac{1}{8}d.$ During the second half of November, however, fresh business for export of gold was reduced owing to lack of supplies of the metal and there was a slightly easier feeling in exchange rate. Sellers of ready T. T. quoted 1*s.* $6\frac{3}{32}d.$ and there were good buyers at 1*s.* $6\frac{1}{8}d.$ except at the close when buyers again quoted 1*s.* $6\frac{9}{64}d.$ Tenders to Government decreased being £ 55,000 on the 13th and £ 75,000 on the 20th, but £ 1,020,000 on the 27th.

Shade quieter.

Market steady again.

During December, the market ruled steady with occasional sellers of ready T. T. at 1*s.* $6\frac{1}{8}d.$ and few buyers under 1*s.* $6\frac{5}{32}d.$ In addition to small but continuous fresh gold business done for export, there was a large business for export of silver during the second half. This provided more export cover than the market could use, and as a consequence Government received very large tenders of sterling weekly at 1*s.* $6\frac{1}{8}d.$

the allotment being only 5 to 10 per cent. Forward rates were also steady, sellers of T. T. upto May 1936 quoting 1*s.* $6\frac{3}{32}$*d.*

GOVERNMENT REMITTANCES.

Throughout the year Government invited weekly tenders for the purchase of sterling to the extent of one million and were in addition buying on tap as and when offered at fixed rates.

Large tenders received weekly.

The tenders in the first two weeks of January were big at over £ 50 million and Government allotted only $1\frac{1}{2}$ to 2 per cent. at 1*s.* $6\frac{1}{16}$*d.* As a consequence tenders in the following week were made at 1*s.* $6\frac{3}{32}$*d.* and even at that rate amounted to over £ 48 million, the allotment being only 2 per cent. The tenderers being dissatisfied at the small allotment, some tenders—£ 150,000—were made at 1*s.* $6\frac{1}{8}$*d.* in the next week, which were allotted in full and of £ 55 million tendered at 1*s.* $6\frac{3}{32}$*d.* only about 1.5 per cent. were allotted. On 2nd February £ 915,000 were tendered at the high rate of 1*s.* $6\frac{5}{32}$*d.* which were accepted in full, all lower tenders being rejected. Throughout February Government bought sterling remittances at 1*s.* $6\frac{5}{32}$*d.* the total purchases during the month by tender and on tap being £ 5,332,000. The weekly tenders at this level were not anything like what they were at the lower rates, there being little or no stagging. The strength of sterling was largely seasonal, money was tight and there was a fair volume of export bills against merchandise and gold.

Tenders decline at 1*s.* $6\frac{5}{32}$*d.* & Government accept tenders at 1*s.* $6\frac{1}{8}$*d.*

March saw the advent of slightly cheaper money; furthermore fresh business transacted in gold by banks for export was relatively small and as a consequence tenders at 1*s.* $6\frac{5}{32}$*d.* in the first week amounted to only £ 15,000, which were accepted, lower tenders being rejected. In the following week there were no tenders at 1*s.* $6\frac{5}{32}$*d.* £ 220,000 being offered at 1*s.* $6\frac{1}{8}$*d.* which were accepted in full. In the latter half of March, money was tighter again, and there was moderate business done in gold for export. Furthermore bills appeared in outside markets against merchandise resulting in a somewhat steadier feeling in sterling exchange and Government bought one million sterling a week at 1*s.* $6\frac{1}{8}$*d.* The total remittances made by Government through open market purchases aggregated £ 13,530,000 during the first quarter of 1935 and £ 37,542,000 during the fiscal year 1934-35.

Reserve Bank invites weekly tenders.

From 1st April, the Reserve Bank of India took over the function of sterling remittances on behalf of the Government and tenders from now on were invited by this institution. In the first week tenders at 1*s.* $6\frac{1}{8}$*d.* amounted to £ 185,000 which were accepted in full, lower rate tenders being rejected. In the following week there being no tenders at 1*s.* $6\frac{1}{8}$*d.* all tenders were rejected, while in the week following tenders for £ 47,500 were received at 1*s.* $6\frac{1}{8}$*d.* and allotted. The paucity of export bills, especially in connection with gold and continued easiness in money accounted for this situation. During the latter part of April money got extremely tight, call loans being quoted at 4 per cent. and despite little business in merchandise and gold export, tenders of sterling at 1*s.* $6\frac{1}{8}$*d.* were made to Government amounting to £ 130,000 in the last week. Total remittances during the month amounted to £ 362,500.

All tenders rejected.

Sterling steadier.

The continued monetary stringency throughout May kept sterling exchange rates very steady and Government received large tenders every week at 1*s.* 6⅛*d.* of which only a small percentage was allotted. Gold export bills during this period were negligible owing to prices in the local market remaining well above parity on most days.

Large tenders received.

June saw the advent of cheaper money rates, which coupled with the paucity of export bills, caused sterling tenders to Government to decrease and in fact not even a million a week was tendered at 1*s.* 6⅛*d.* Government of course rejected all lower tenders. Total remittances during the month aggregated £ 2,767,000 and £ 22,000,000 during the first half of 1935.

Tenders decrease and Government rejects tenders under 1*s.* 6⅛*d.*

In the first half of July, money was very cheap, call loans being quoted at about 1 per cent. and fresh business in gold was negligible. As a consequence sterling exchange was quieter and Government received no tenders at 1*s.* 6⅛*d.* in the first week and received only £ 60,000 on the 10th which were accepted in full. During the second half, a moderate volume of fresh business in gold was transacted causing a steadier feeling in sterling and Government received larger tenders at 1*s.* 6⅛*d.* accepting altogether £ 1,150,000 in this period.

Larger tenders received.

In the first two weeks of August, sterling was again a shade easier, but during the latter half of the month, there was a large turnover in gold for export and sterling tenders to Government at 1*s.* 6⅛*d.* far exceeded a million a week, the allotment being 50 to 80 per cent.

Tenders at 1*s.* 6⅛*d.* continue.

Jute export business in Calcutta was now on the move and there was large showing of bills there against. Furthermore large funds were remitted to India for investment in Treasury Bills. A moderate fresh business in gold was also transacted in the local market and as a consequence sterling exchange ruled very steady throughout September. Government received large tenders at 1*s.* 6⅛*d.* every week except in the last and the total purchases during this month amounted to £ 3,190,000.

Jute exports cause steadier tone.

Large tenders received.

Throughout October and November, money was very cheap at ¼ per cent. for call loans, and as such, had little or no influence on the sterling exchange market. Gold export was looked upon as the only support to the market, there being little movement in merchandise trade. Demand for remittances on account of trade on the other hand was also very small. Tenders for sterling to Government therefore depended upon the volume of gold business transacted, but the banks had to bear in mind the fact that Government had persistently rejected all tenders for sterling under 1*s.* 6⅛*d.* Government were able to buy £ 4,830,000 during the two months.

Gold only support of sterling market.

Throughout December, Sterling exchange was very steady, and Government received large tenders at 1*s.* 6⅛*d.* Only a small fraction of the total tendered, however, was accepted, the total purchases during the month amounting to £ 3 million. Total purchases during the year aggregated £ 36,765,000 and during the nine months 1st April 1935 to 31st December 1935 to £ 23,235,000.

Sterling steady and tenders received large.

FOREIGN EXCHANGES.

Foreign exchanges in the London market fluctuated very widely during the first week of January with sterling ruling weaker in terms of the dollar and gold currencies. The New York/London cross-rate declined from $4.94 to $4.92¼ and the London/Paris rate showed a sympathetic movement from francs 74.71 to 74.28. The weakness of sterling in term of the dollar became more pronounced during the succeeding week, the dollar-sterling quotation declining to $4.90⅞ and the sterling-franc rate dropping down to 74.06 francs. In the middle of the month, however, the issue of gold clause validity came before the Supreme Court in the United States and the uncertainty arising therefrom caused wide fluctuations in the foreign exchange market. The New York/London cross-rate declined sharply from $4.92¼ (10th) to $4.84 (15th), and the London/Paris cross-rate from francs 74.40 to 73.96. However, rumours were afloat which were promptly contradicted that the American Treasury, in case the decision would be adverse to Government, might reduce the buying price of gold. As a result of this the New York-London rate rose from $4.84 to 4.89. The London/Paris rate was comparatively steady, the quotation moving between francs 74¼ and 74¾. Relatively stable conditions were witnessed during the last week of January and the New York/London cross-rate ranged between $4.85¼ and 4.87½, and the London/Paris rate moved between francs 74.28 and 74.65.

Wide fluctuations in cross-rates.

Dollar improves.

Gold clause case in U. S. A. causes uncertainty.

Sterling depreciates.

Dollar declines.

February saw renewed weakness in sterling in terms of the dollar and the gold currencies. During the first half of February the cross-rates between London and New York and London and Paris moved within narrow limits. The dollar sterling quotation ranged between $4.89 and 4.87 and the sterling-franc rate fluctuated between francs 74.46 and 73.90. This comparative stability was broken during the third week of February when the gold clause decision was handed down. The London/New York cross-rate declined from $4.89¼ to 4.87⅛ and the London/Paris rate steadily declined from francs 73.96 to 73.47. The weakness of the pound sterling was intensified during the last week of the month under review when the dollar was quoted at $4.84¼ and the franc 72.88.

Sterling depreciates again.

Narrow movements in cross-rates.

Gold clause decision.

Sterling depreciates.

In the March perspective violent fluctuations characterised the foreign exchange market in London. Sterling was forced down owing to heavy withdrawals of short-term funds from London by Continental operators. The New York/London cross rate fell from $4.84¼ to 4.73⅜ (6th) and recovering later closed at $4.77. The London/Paris cross-rate dropped in sympathy to 70.65 francs but closed at 70.96 (7th). Rumours were rife at this time about inflationary action in the U. S. A. and a forced devaluation of the French franc, which intensified the prevalent uncertainty. During the second week movements were more or less controlled; the dollar moving between $4.74 and 4.79 and the franc between 71.15 and 72.18. During the third week of March

Violent fluctuations again.

Sterling depreciates further.

Exchanges controlled.

the Belgian monetary crisis developed and the pound sterling appreciated in terms of the gold currencies and the dollar rate advancing to $ 4.80⅝. The franc opening at 72.09 rose to 72.90. On the reassuring of news, however, that the Belgian Government was determined to maintain the gold standard, the gold bloc currencies reasserted themselves and ruled steady, the dollar improving to 4.76⅛ and the franc to 72.09 (22nd).

Belgian currency crisis.

The Belga declined from 20.59 to 20.75, but finished at 20.47. The Belgian crisis, however, persisted and owing to uncertainty about it sterling ruled firm throughout the last week of March. The New York/London cross-rate gradually rose to $ 4.81¾ and the London/Paris rate to 73.53. The Belga was quoted three months forward at a discount of 2 Belgas.

Sterling improves.

The uncertainty which pervaded the foreign exchange market last month owing to the Belgian monetary situation was removed by the decision of the new Belgian Government to abandon gold standard temporarily and devalue the Belga by 28 per cent. Fluctuations in cross-rates were, however, very wide during the first week of April. The New York/London rate opened at $ 4.79½ and rose sharply to $ 4.85¼ on the 5th. The London/Paris rate likewise improved from Francs 72.34 to 73.78. The Belga-sterling rate was fixed by the Cabinet and was quoted at 28.53. During the succeeding two weeks the prominent feature was the continued strength of the pound sterling in terms of the dollar and gold currencies. The dollar rate rose from $ 4.83⅛ to 4.85¾. The franc similarly depreciated from 73.09 to 73.71. The Belga was steady at 28.67. During the remaining period of the month a reverse tendency set in and the pound sterling ruled slightly easier. The New York/London cross-rate declined to $ 4.81⅛ and the London Paris rate to 72.78. The closing quotations, however, showed recovery in sterling and the dollar was quoted at $ 4.83⅜ and the franc at 73.09.

Belga devalued.

Sharp fall in dollar.

Sterling continues to improve.

Reaction sets in.

The recovery of the pound sterling in terms of dollar and gold currencies was carried over in the first week of May. The sterling-dollar rate with a temporary reaction rose from $ 4.81¾ to $ 4.84½ and the sterling-franc rate similarly rose from 73.03 to 73.46. In the middle of the month, however, foreign exchanges in the London market fluctuated widely with a persistent firmness of sterling in terms of the dollar and the gold currencies. The governing factors were the inflationary expectations with Mr. Morgentheau's speech on the 13th May, as well as the renewed weakness of gold currencies, especially the French franc. The New York/London cross-rate steadily rose from $ 4.84 to 4.91⅝ (17th) and the London/Paris cross-rate advanced from francs 73.37 to 74.78. During the last two weeks of May again the upward trend of the pound sterling became most pronounced owing to the revival of inflationary sentiment in the U. S. A. on passing by the Congress of the Patman War Veterans Bonus Bill providing for the issue of two thousand million dollars fresh currency, and the emergence of the monetary crisis in France. The New York/London cross-rate rose to $ 4.97 (24th) and the London/Paris cross-rate to 75.12. Later, however, owing to heavy intervention of the British Exchange Equalisation Fund the rates were brought under control, the dollar rate declining to $ 4.92⅞ and the franc to 74.53 towards the close.

Sterling steady with wide fluctuations.

Sterling very steady.

British Equalisation Fund intervenes.

In June the dominating factor was the continuance of the French monetary crisis. The sterling-franc rate rose sharply to 75.25 but later owing to the reported intervention of the British control and on the formation of the Bouission cabinet the rate declined to 74.26 (4th). The New York/London rate moved in sympathy, declining from $4.95\frac{1}{8}$ to $4.91\frac{1}{2}$. On the resignation of the newly formed Government, the French franc rose again to 75.26 (6th) and the dollar followed in its wake to $4.95\frac{3}{8}$. In the second week on the news of the formation of the Laval Cabinet and the adoption of the preliminary bill of powers by the French Parliament, the franc recovered from 75.26 to 74.25 (11th) and the dollar also showed a similar tendency from $4.94\frac{1}{2}$ to $4.91\frac{5}{8}$. The franc, however, was again subjected to a bear attack and the sterling-franc rate advanced to 75.06 (13th). During the remaining period of June foreign exchanges in the London market were comparatively steady. The monetary crisis in France having been brought under control, the gold currencies and the dollar in accompaniment were firmer. The New York/London cross-rate ranged between $4.93 and $4.95\frac{1}{4}$ and the London/Paris rate similarly moved between 74.96 and 74.50.

French monetary crisis.

Laval Government formed.

Bear attack on French franc.

Monetary crisis in France controlled.

In the first week of July fluctuations were relatively small, but sterling showed signs of firmness as against gold currencies in the second week, the New York/London cross-rate moving up from $4.94\frac{1}{4}$ to $4.98\frac{1}{8}$ (9th) and the London/Paris rate from 74.40 to 74.91. The firmness of sterling was probably due to large sales of dollars in connection with purchases of silver by the U.S.A. Treasury in the London market. There was, however, a reaction at the higher levels, New York/London rate moving down to $4.95\frac{1}{8}$ (11th) and London/Paris rate to francs 74.85.

Fluctuations narrow with sterling steady.

The movements in the New York/London cross-rate apart from other factors affecting gold currencies generally were now dependent upon the volume of silver purchases made by the U. S. Treasury in the London market. The rate fluctuated between $4.95\frac{1}{2}$ and $4.96\frac{1}{2}$ during the remainder of July.

Large silver purchases by U.S.A. Treasury in London.

The French monetary situation appeared to be well under control and Central Banks were concerting to curb speculation in gold and gold currencies. The measures taken by the French Government to balance the budget tended to steady the Paris/London cross-rate which declined from francs 74.85 to 74.59 on the 19th. A crisis now occurred in Holland bringing pressure on gold currencies, and causing the French franc to depreciate from 74.63 to 75.10 and the dollar from $4.95\frac{1}{2}$ to $4.96\frac{1}{2}$. The difficulties in Holland, however, were tided over as the new Government formed under Premier Colign was resolutely bent upon defending the guilder. Following this news the New York/London cross-rate improved to $4.95\frac{5}{8}$ and the Paris/London rate to francs 74.76.

Crisis in Holland.

Difficulties tided over.

There were no changes of any importance in the first week of August but continued purchases of silver in London pressed on the dollar, which rose from $4.95\frac{1}{2}$ to $4.98\frac{1}{2}$ (15th). Sterling improved against the franc in proportion, the Paris/London cross-rate depreciating from to 74.71 to 75.07.

No important movements.

Movements in the second half of August were again unimportant and seemingly the equalisation funds were operating to check fluctuations. Despite the approach of Autumn when sterling usually depreciates as against the dollar owing to larger imports of foodstuff and grains, sterling held its own and the New York/London cross-rate ranged between $ 4.96½ and $ 4.98½. But the U. S. Treasury was daily buying large quantities of silver in the London market, thereby off-setting demand for sterling against seasonal imports.

Equalisation Funds restrict movements.

In the opening week of September sterling depreciated somewhat, dollar being quoted at $ 4.94⅜ (4th) and the franc at 75.00 to the pound. In the second week there was yet further depreciation, the New York/London cross-rate being quoted at $4.92⅞ and the franc at 74.78 (8th). At this stage there were large shipments of gold from France to New York, which caused demand for sterling, the New York/ London cross-rate moving back to $ 4.95⅛ (13th) and the franc to 75.09.

Dollar depreciates.

Large shipments of gold from France to U.S.A.

The seasonal commercial demand was now making itself felt and with decreased purchases of silver by the U. S. Treasury in London, the dollar began to improve and in sympathy the franc. During the remainder of September the New York/London rate ranged between $ 4.95 and $ 4.91 and the London-Paris cross-rate between 75.12 and 74.51 francs.

Sterling depreciates.

The European political situation was somewhat disquieting and there was a good demand for remittances to New York of Continental funds which were upto then being invested in the London market. New York/London cross-rate improved to $ 4.88¾ and in sympathy the franc touched 74.26 early in October (5th). Thereafter up to mid-November variations in cross-rates were comparatively narrow, control being in operation both in London and New York. The New York/London cross-rate ranged between $ 4.90¼ and $ 4.92¾ and the franc between 74.32 and 74.81. Purchases of silver by the U. S. Treasury still persisted and the small variations that there were in rates were determined by the volume of purchases effected.

European Political situation causes dollar to improve.

During the second half of November, however, the monetary situation in France once again became uncertain and there was a flight from the franc. With large shipments of gold to New York, sterling tended to appreciate in terms of gold currencies. The dollar moved to $ 4.94 (25th) and the franc touched 75.04. Confidence in the franc revived on the success of the French Cabinet in the Parliament on monetary measures and gold currencies improved as against sterling. At the end of November the dollar was quoted at $ 4.93⅜ and the franc at 74.85. The discount on three months forward which had increased to 3 points eased to 2.3 points.

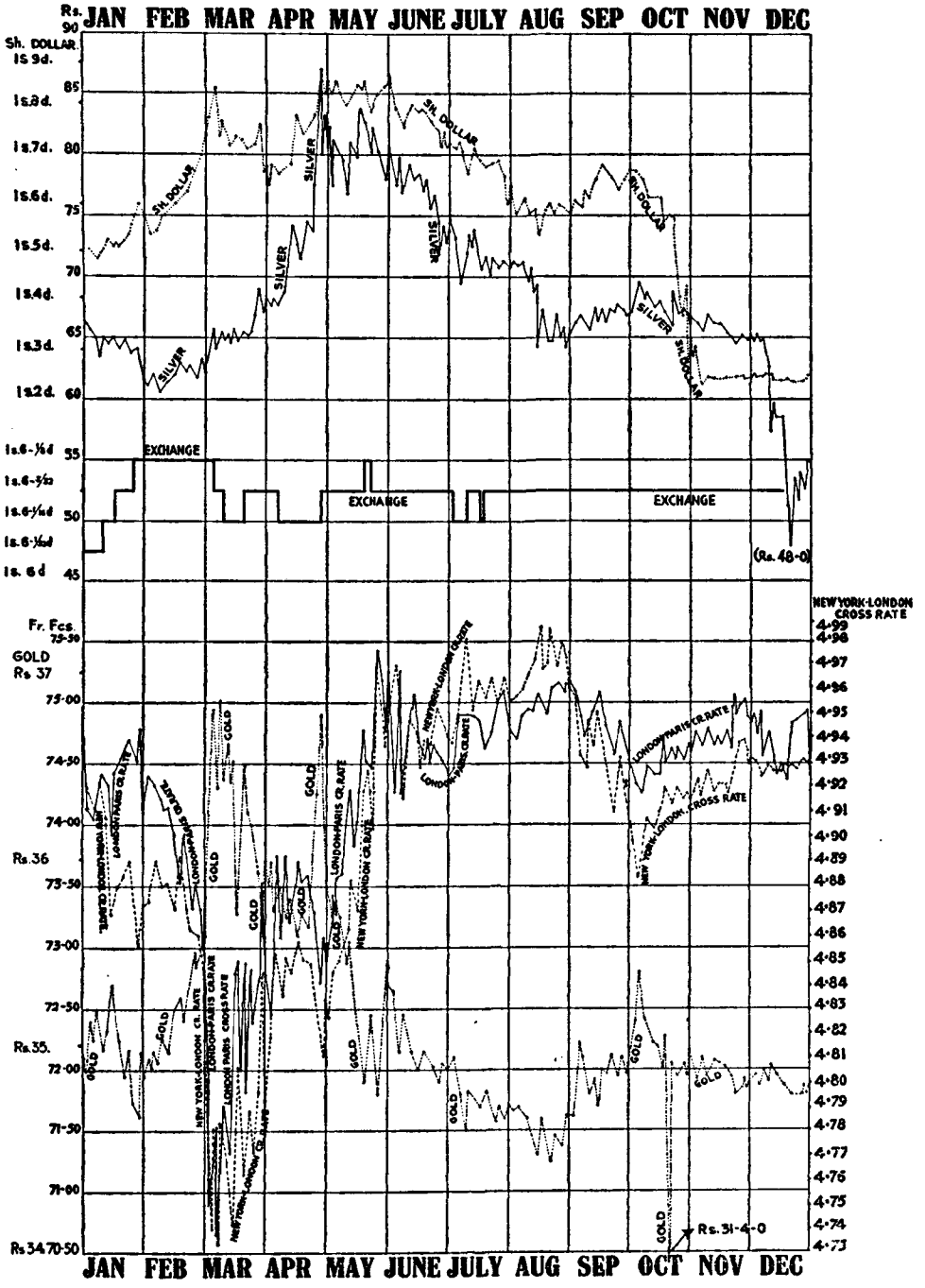
Monetary situation in France worsens again.

Dollar depreciates; confidence in franc revives.

In the first week of December sterling depreciated slightly as against gold currencies, the New York/London cross-rate improving to $4.93½ and the Paris/London cross rate to frs. 74.94. Thereafter throughout the month the movements in cross-rates were very narrow, the New York/London rate ranging between $4.93⅜ and $4.92⅝ and Paris/London rate between frs. 74.94 and 74.35. The tendency of the French franc, however, was still uncertain, and there was a big discount ranging between 2 to 2½ francs on three months' forward delivery.

Movements restricted.

BULLION AND EXCHANGE CHART—1935.



NOTE.—The lowest rate of Rs. 31-4-0 was touched on October 21, 1935, following the hoax played on the local Bullion market by the publication of a spurious communique.

GOLD.

The gold market opened steady during the first week of January and price for ready improved from Rs. 35 to Rs. 35-4-0. Towards the close with a slight appreciation of sterling against the gold currencies the price for gold in London receded from 142*s.* 1*d.* to 141*s.* 4½*d.* and the quotation in the local market declined to Rs. 35-0-9. The rates in the local market, however, ruled above export parity rendering fresh business for export impracticable. Stocks on hand aggregated 4½ lacs tolas, and arrivals from upcountry after the holidays were estimated at about 1½ lacs tolas per day. During the middle of the month foreign exchanges in the London market fluctuated widely following rumours regarding the possibility of a further devaluation of the dollar, should the decision of the Supreme Court in the U. S. A. on gold clause case prove adverse to Government. It was also rumoured that the American Treasury might reduce their buying price of gold ; as a result of which the price of gold in London was fixed on franc basis, and was about 12*d.* to 15*d.* under the dollar parity. The local market was nervous, and distinctly hesitant. The dollar at the opening appreciated sharply in terms of sterling from $4.91⅜ to 4 .84 (15th) and the price of gold in the local market advanced to Rs. 35-6 per tola for ready. While the dollar appreciated, the franc on the other hand depreciated in terms of sterling and the market grew suspicious especially as banks generally refrained from operating. Heavy unloading by nervous holders and bear sales ensued, and the price for ready sagged to Rs. 35-1-6 (18th). The uncertainty regarding the gold clause decision continued till it became known that the Supreme Court had adjourned till 4th February, when the decision would be handed down. Activity in the local market was thereupon revived, and there was buying enquiry from foreign banks. Again sterling ruled firm both in terms of the dollar and the franc. The quotation in the London market dropped by 9½*d.* to 141*s.* 4*d.* per oz. (24th) and the price for ready here declined proportionately to Rs. 34-13-9. Towards the close of the month the market was easier and the price declined to Rs. 34-11-3 (28th), but as banks made purchases both for ready and forward, the apprehensions in the minds of dealers were somewhat allayed, and the price improved to Rs. 35-0-6 (30th). At the end of January stocks on hand were 5 lacs tolas; the total shipment of gold amounted to Rs. 4.41 crores and arrivals from upcountry were on the average 15,000 tolas a day.

Market opens steady.

Slight recession in rates.

Large stocks on hand.

Gold clause decision in U. S. A. causes hesitancy.

Prices advance.

Heavy unloading and prices decline.

Banks buy heavily and prices improve.

Large stocks on hand.

During the first half of February gold was steady as much of the nervousness prevailing during the previous month had disappeared. Prices showed little variations with a slightly upward trend. A fair amount of business was done by banks for export both for ready and forward delivery. Stocks on hand were about 3 lacs tolas with fresh arrivals from upcountry averaging some 12,000 to 15,000 tolas a day. The gold clause decision by the U. S. A. Supreme Court was handed down on the 18th February. In well-informed quarters it appeared the nature of the decision

Gold steady.

Fair turnover for export.

Gold clause decision.

was more or less anticipated. The Court upheld the right of Congress to abrogate the gold clause in private bonds, but considered the action constitutionally invalid in the case of Government Bonds. No fresh disturbance was experienced either in this market or elsewhere, and the rates showed only a temporary flutter ranging between Rs. 35-6 and Rs. 35-2 (between 15th and 22nd). Business was restricted and was very small for immediate shipment as the local rates ruled above export parity, though purchases were reported for forward delivery. In the last week of February the weakness of sterling, which was manifest during the previous week, was intensified, and the London/Paris cross-rate declined from 73 .65 to 72 .88 francs (28th). London price for gold advanced considerably from 142*s*. 11*d*. to 144*s*. 1*d*. per oz. The price for ready in the local market rose gradually from Rs. 35-5-3 to Rs. 35-10-0 on the last day, and a fair amount of business passed for forward delivery. Stocks in the local market were estimated at some 3 lacs tolas, and arrivals from upcountry were unchanged at 12,000 to 15,000 tolas a day. Total exports of gold during this month aggregated Rs. 4 .78 crores in value.

Temporary flutter in rates.

Sterling depreciates and gold price improves.

March saw gold prices rising steeply to peak levels. The immediate reason was the persistent weakness of sterling owing to withdrawals of continental funds from London. The New York/London cross-rate dropped from \$4 .84¼ to \$4 .73⅜ on the 6th March. The Paris/London cross-rate moved in sympathy and touched 70 .65 francs. The price of gold in London shot up from 144*s*. 1*d*. to 149*s*. 4*d*. on the same day and business was reported even at 149*s*. 10*d*., the highest recorded since the abandonment of the Gold Standard by Great Britain. Prices in the local market soared, ready jumping from Rs. 35-10-0 to Rs. 36-13-3 (7th). The rates reached now were the highest recorded since the abandonment of the Gold Standard by Great Britain in 1931. Owing to higher prices arrivals from upcountry increased to about 20,000 to 25,000 tolas a day. These were, easily absorbed, however, by heavy purchases on foreign account both for near and forward deliveries. Stocks on hand were estimated at some 3 to 4 lacs tolas. During the succeeding week prices were maintained with narrow fluctuations ready ranging between Rs. 36-9-0 and Rs. 36-1-0. Rates, however, rule slightly easier on the reported firmness of sterling against gold currencies. The governing factor was the rumour regarding the possibility of Belgium joining the sterling bloc in the event of an unsatisfactory outcome of the conference between the French and Belgian authorities on the monetary issue, and the price for ready declined to Rs. 36-1-0 (15th). During the third week of the month the monetary crisis in Belgium grew worse causing wide fluctuations in foreign exchanges with sterling appreciating over franc and dollar. Gold prices in London moved erratically and the rates in the local market fluctuated in sympathy. The price for ready locally declined sharply to Rs. 35-11-9 (16th) per tola and again rising to Rs. 36-8-0 (18th) dropped to Rs. 36-3-0, but recovered and closed at Rs. 36-3-9 (22nd) per tola. An additional influence was the coincidence with the option settlement in this market. The rates, however, ruled for the most part above export parity, thereby making fresh business for export impossible.

Prices reach highest on record.

Heavy purchases on foreign account.

Rates recede on Belgian monetary crisis.

Erratic movements in price.

Rates remain over parity.

During the last week of the month gold was quiet, chiefly owing to the continuous apprehension regarding the stability of the Belgian currency and the consequent firmness of sterling in terms of gold currencies. Prices in the local market on the whole showed a downward trend. The quotation for ready gradually dwindled from Rs. 36-3-0 to Rs. 35-10-0 (29th). A negligible amount of business was placed during the period for forward delivery. Arrivals from upcountry were small averaging about 12,000 to 15,000 tolas a day, and stocks on hand were depleted to 1 to 1½ lacs tolas. Exports during this month were quite large, being valued at Rs. 5.15 crores and at Rs. 14.35 crores during the first quarter.

Market assumes quiet tone.

The easier trend in gold prices was continued in the local market during the first week of April. Though the factor of uncertainty was removed by the decision of the new Belgian Government to abandon the Gold Standard temporarily and devalue the Belga by 28 per cent., wide fluctuations were witnessed in foreign exchanges in the London market. Erratic movements in cross-rates coupled with the doubts still persisting in connection with the position of the Swiss franc and the Guilder following the divorce of the Belga from gold depressed the local market. The price of ready gold receded from Rs. 36-1 to Rs. 35-14-6 (2nd). Traders were cautious and hesitant. The turnover in the local market was small and mainly inter-bazaar, as the local rates ruled above export parity. Despite wide movements in the cross-rates, the local market was comparatively steady, and rates were maintained round Rs. 35-15 and Rs. 35-12-6 per tola for ready. The reason for this steadiness was a strong belief among dealers in this market that in the event of devaluation of the Gold Currencies the price of gold would ultimately rise. On the other hand it was reported that some re-sales were effected by banks in the local market. Stocks on hand continued unchanged at 1½ to 2 lacs tolas, and arrivals from upcountry were estimated at 10,000 to 15,000 tolas per day. During the middle of April gold was quiet, and movements followed fluctuations in the cross-rates. The trend was on the whole easier following the firmness of sterling. Prices in the local market ranged with intermittent reactions between Rs. 34-14 and Rs. 35-10-6 per tola for ready. During the last week of April gold was firm with narrow variations in rates which were induced by fluctuations in foreign exchanges. Prices in the local market ruled throughout the month above export parity, making fresh business for export impracticable. The highest rate touched was Rs. 36-12 on 27th, the closing rate being Rs. 36. Total exports during the month aggregated Rs. 1 .04 crores in value.

Easier trend continues; Belga devalued.

Erratic movements.

Business restricted.

Easier price trend.

In the May perspective gold was steady during the early part of the opening week. Banks sold large quantities at the higher levels, as rates were far above export parity. This coupled with steadier cross rates caused a sharp decline, and the price for ready in the local market sagged from Rs. 36-0-6 to Rs. 35-11-6 (3rd). Stocks on hand accumulated being estimated at 6 to 7 lacs tolas. Upto the middle of May gold was easier owing to a combination of several factors. These were : the appreciation of sterling against gold currencies and the dollar, and in consequence lower prices in London, secondly local rates ruling above export parity and thirdly diversion of traders' interest to the silver market. Towards

Prices firm; banks sell gold heavily.

Sharp decline in rates.

Large stocks accumulate.

Banks buy small quantities. the close of the first half of May the rate for ready gradually declined from Rs. 35-12-9 to Rs. 35 on the 13th. It was reported that banks bought small quantities at lower levels probably to cover their former sales. Arrivals from upcountry were small, and stocks on hand were unchanged at 6½ to 7 lacs tolas. During the third week the price for ready gold declined to Rs. 34-14 (18th) per tola following the persistent strength of sterling, but again owing to bear covering and a fair amount of purchases on account of banks in order to cover forward sales the rate for ready advanced to Rs. 35-3-6 per tola (22nd.) This spurt, however, proved temporary and the rates declined again to Rs. 35 (24th). The last week of May witnessed violent fluctuations in gold prices. The governing factor was the monetary crisis in France. Gold currencies ruled very weak, and Sterling/Franc rate soared up to 75.43 (25th); Sterling/Dollar rate jumped in sympathy therewith to $4.97. The rate in the local market rose with intermittent reactions to Rs. 35-7-6 for ready (31st), and was maintained at this level owing to firm advices from London, where gold price included high premiums on the gold exchange parities. The rate remained above export parity rendering fresh business impossible. Total exports during the month aggregated Rs. 1.94 crores in value.

Prices decline further.

Violent fluctuations in cross-rates.

Prices improve.

Rates rule over parity again.

The continuance of the French monetary crisis acted as a depressing influence during the first week of June, and prices in the local market showed a persistently sagging tendency. The price for ready declined from Rs. 35-7-6 to Rs. 35-0-6 (6th). Business transacted was largely inter-bazaar. However, upon the formation of the French Cabinet under the premiership of M. Laval the French franc and the gold currencies recovered in terms of sterling, and the London/Paris cross-rate declined substantially from 75.25 to 74.26 (4th). The French franc was, however, again subjected to a bear raid,' and depreciated to 75.26 (6th) against sterling. The new Cabinet was invested with authority to counteract speculative attacks through the adoption of a Plenary Powers Bill by the Parliament, and the Bank of France announced that for the time being it would cease to make advances against gold. As a consequence the premiums on gold exchange parities were much smaller and gold price in London receded to 140*s*. 7*d*. The rates in the local market were more or less stationary, and being above parity no fresh business for export was done. During the middle of June on considerable liquidation by option dealers prices declined further. After several weeks the rates ruled pretty close to export parity, which induced covering by banks that had made short sales. Business for export was, however, negligible. The price for ready opened at Rs. 34-15-0, and advanced to Rs. 35-0-6 (18th), but again reacted to Rs. 34-15-3 (22nd). Arrivals from upcountry were smaller averaging some 10,000 to 12,000 tolas; stocks on hand were estimated at 5½ lacs tolas. During the last week of the month under review gold was rather dull, prices being maintained almost at the stable level of Rs. 34-15. Total exports during June amounted to Rs. 1.11 crores in value and Rs. 18.44 crores during the first half year as compared with Rs. 37.29 crores worth in the same period of 1934.

French monetary crisis continues.

Price declines.

New French Cabinet formed.

Plenary Powers Bill passed.

Prices decline on option dealers unloading.

Dull tone prevails.

In sympathy with the depreciation of sterling early in July, the price of gold declined to Rs. 34-10 (9th) per tola for ready, at which level banks bought large quantities for export. This caused the price to improve; furthermore, sterling appreciated somewhat as against gold currencies with the result that the price of ready gold advanced to Rs. 34-12-9 (12th) per tola. Thereafter the price ranged within narrow limits in consonance with movements in cross-rates, but the price declined again to Rs. 34-10-9 towards the end of the month following weakness of sterling. Banks again bought large quantities for export at lower levels, the total export during this month being Rs. 6 .04 crores worth and Rs. 24 .48 crores worth since the beginning of the year. Stocks on hand which were estimated at about 5½ lacs of tolas at the end of June were reduced to about 3 lacs tolas owing to fresh purchases being far in excess of arrivals, which were estimated at about 10,000 to 15,000 tolas a day.

Price declines and banks buy.

Price improves.

Stocks reduced.

During the first week of August there was practically no change in gold quotations, ready ranging between Rs. 34-12 and Rs. 34-11-0 per tola. In the second week, however, owing partly to appreciation of sterling in terms of dollar and partly to a silver scare in the local market, the price of ready gold dropped to Rs. 34-8 (14th) per tola. As before banks were good buyers at lower levels and a large business was transacted, the price advancing to Rs. 34-11 (16th) per tola. Sterling, however, was still strong as against gold currencies, and the price of the metal in London dropped to 139*s.* 11½*d.* per ounce on the 21st, the lowest during the current year. The local quotation dropped to Rs. 34-7-6 per tola for ready in sympathy, but business was restricted for most part owing to difficulties in the silver market. Banks, however. were offering to buy at prevailing rates and the price soon recovered to Rs. 34-9-6 (23rd) per tola. At this juncture banks sold large quantities of gold held by them on account of one of their clients and the shipment was very large being valued at Rs. 6 .76 crores. Towards the end ready gold improved to Rs. 34-11-3 on the last day.

Prices decline.

Banks good buyers.

Lowest price of the year.

In the first week of September sterling depreciated as against the dollar, causing the price of the metal to advance in London to 140*s.* 4*d.* (4th) and the quotation in the local market touched Rs. 34-15 (5th) per tola for ready. Business, however, was small, and stocks on hand were estimated at about 2 lacs tolas. Sterling further weakened in the next few days and the price of ready in the local market improved to Rs. 35-1-3 per tola. The dealers were not too keen to sell first, being already oversold to the banks. Sterling, however, became a little firmer and the price dropped to Rs. 34-12 (14th) per tola in the local market. Movements in cross rates being erratic in the latter half of September, the price of gold moved sympathetically; but mostly ruled over export parity owing to shortage of supplies. Furthermore, the market was still oversold to the Banks, and all fresh arrivals which were none too large, averaging 10,000 tolas a day, were used up in liquidating outstanding contracts. The quotation of ready gold ranged between Rs. 34-12-6 and Rs. 35-0-3. There was good demand from banks for export, but actual business done was small, stocks on hand at the end of September being estimated at about 1 lac tolas.

Large forced sales by banks.

Prices improve.

Erratic movements in cross-rates.

Price improves.

Sterling weakened in the first fortnight of October, and while this was sufficient to cause a rise in the price of gold, bears and option dealers rushed to cover in the local market, causing ready price to go to Rs. 35-7 (5th) per tola and far above export parity. The market having refrained from making fresh sales for export had collected a stock of about 2 lacs tolas by the middle of the month. At this stage sterling tended to appreciate owing to large offerings of dollars in connection with silver purchases by U. S Government in London; furthermore, the European political situation was a little better causing repatriation of funds from U. S. A. to London. The price of gold dropped from 142*s.* 2*d.* to 141*s.* 6*d.* (17th) in London, while the quotation in the local market came down to Rs. 34-15-0 per tola ready. The market delivered the bulk of the gold collected to banks against outstanding contracts and stocks were reduced to one lac tolas, the daily arrivals still averaging 10,000 to 12,000 tolas.

Sterling weakens.

Price advances further.

Stocks increase.

Price drops.

On the 21st October two spurious communiques as stated hereunder were received by some of the banks in the City and their contents spread like wild fire in the Bullion Market, where a state of panic prevailed for a few hours with erratic movements and a large turnover both in gold and silver. Doubts, however, were raised later, owing to the manner in which the communiques were issued and the Customs Authorities denied the news. In the meantime, however, losses were suffered by traders in the market who operated on the strength of this false news. The Manager of the Reserve Bank of India, and the Collector of Customs, Bombay, who communicated with Delhi published statements, also quoted hereunder, removing every doubt. The Government are conducting their investigations, and it is to be hoped that before long the perpetrators of this crime will be tracked, although it is already more than two months since it was effected.

Spurious Communiques issued.

The following is the copy of the letter purported to have been issued by the Department of Commerce, Government of India. It is, dated Simla, October 17 :—

From

L. O. STUART-SMITH, Esqr.,

Offg. Assistant Secretary to the Government of India.

SIR,

In forwarding herewith advance copies of two notifications which will be published in the *Gazette of India Extraordinary* on the 19th October 1935 at 12 noon, I am directed to inform you that the measures are being adopted in accordance with Higher Imperial Policy and that the Government of India will not permit the present rupee-sterling ratio to be disturbed.

I have the honour to be,

Sir,

Your most obedient servant,

(Sd.) L. O. STUART-SMITH,

Offg. Assistant Secretary to the Government of India.

NOTIFICATION.

The following is the notification, dated October 19 :—

No. T. 11 (2)—35. In exercise of the powers conferred on him by Section 18 of the Sea Customs Act (VIII of 1878) the Governor-General in Council has been pleased to restrict the carriage by land or sea outside British India of gold coin and gold bullion to consignments covered by licenses issued by the Collector of Customs, Bombay, which shall be granted on payment of a fee of Rupees Ten per fine ounce.

No. T. 11 (3)—35. In exercise of the powers conferred on him by Section 23 of the Sea Customs Act (VII of 1878) the Governor-General in Council is pleased to remit in full the Customs duty leviable on imports into British India by land or sea of silver bullion, coin, sheets and plates.

(Sd.) H. DOW,

Joint Secretary to the Government of India.

Mr. W. T. McCallum, the Manager of the Bombay Office of the Reserve Bank, received early this (21st) afternoon a reply to his urgent inquiry regarding the authenticity of the letter received by the four bank Managers. The reply of the Government of India to Mr. McCallum's message was that they had no knowledge of the alleged notification, which appeared to be fictitious.

A notification issued on Monday, 21st, by the Collector of Customs, Bombay, says :—

With reference to inquiries regarding the notifications alleged to have been issued restricting the export of gold, and remitting duty on silver, the Central Board of Revenue has to-day telegraphed that no such notifications have been issued or are contemplated.

As a result of the hoax there was heavy selling of gold, causing the price of ready to drop Rs. 3-12 per tola to Rs. 31-4-0. There was a moderate turnover at all prices and some banks bought fair amounts later in the day, and the price recovered to the opening level, *viz.*, Rs. 35-0 per tola ; the market which had been almost bare of supplies and an unwilling seller, got fairly heavily oversold again. There were no changes of any importance in the price of gold from now till the latter part of November, ready ranging between Rs. 34-14-3 and Rs. 35-0-6. Although banks were buyers at these rates, there was little gold offering during the latter part of October, the market trying to collect fresh arrivals to deliver against contracts made on the hoax day. Arrivals were practically unchanged at 10,000 tolas a day and stocks on hand averaged 1 lac tolas.

Price drops heavily as a result of hoax.

Price advances.

Small movements.

Towards the end of November, sterling was stronger as against gold currencies, owing to difficulties in the French Cabinet. There was a rush to ship gold to New York and London and it was reported that the Bank of France lost 18 million sterling

Sterling steady and price drops.

worth of gold during the last 10 days of November. The price of gold dropped to 140*s.* 11*d.* (23rd) per oz. in London and to Rs. 34-13-0 per tola for ready in the local market. Banks were good buyers at these levels, but owing to continued paucity of supplies, there was a premium of six pies per tola on ready as against December settlement, business actually placed being relatively small. Total shipments during October and November aggregated Rs. 7.01 crores in value. On the 28th the French Parliament assembled and a vote of confidence was obtained for the Government, causing an appreciation of the Franc and also the dollar, the former improving to 74.84 and the latter to $ 4.93 (29th). The quotation for gold in our market improved to Rs. 34-14-6 per tola for ready at the end of the month. Stocks amounted to about 1 lac tolas and daily arrivals were still 10,000 tolas.

Low stocks and ready gold at premium.

Vote of confidence in French Parliament.

Throughout December, the price of gold moved narrowly, in consonance with the cross rates, ready moving between Rs. 34-15-0 and Rs. 34-13-9 per tola. Moderate business was done for export during the early part, but later the market was a rather unwilling seller owing to paucity of supplies. Furthermore, the dealers were fairly well oversold to the banks for delivery in January and the Mint was going to be closed for the last 8 days in December. The stocks on hand at the end of the year amounted to about 1 lac tolas. The total shipment during this month amounted to Rs. 2.78 crores and since the beginning of the year to 4.732 million fine ozs. valued at Rs. 44.22 crores. The total shipments since September 1931 to the end of 1935 aggregated 32.183 million fine ozs. valued at Rs. 257.54 crores.

Narrow movements.

SILVER.

The year opened with the usual uncertain tendency, the market being influenced by reports regarding a change in the import duty on silver in the impending Government of India Budget. Ready silver opened at Rs. 66 per 100 tolas being at a discount of about Rs. 1-12 per 100 tolas as compared with the March settlement. Stocks in the local market, however, had augmented to about 20,000 bars, while the daily offtake was small at 10 bars. This was a depressing factor and more so nearer the budget period, and in the second week prices sagged in the local market, ready declining from Rs. 66 to Rs. 63-8 (8th). This occurred despite the fact that foreign markets were comparatively steady and the undertone was good. There was a heavy turnover with considerable long liquidation at lower levels. It was reported, however, that the American Treasury had acquired large amounts of silver in the London market at lower rates which revived confidence and prices showed some improvement. Rumours in connection with the import duty on silver persisted and as a result the difference between February and March settlement quotations widened to as much as Rs. 2-8 per 100 tolas. Large quantities of silver from upcountry centres were flowing into this market, and in consequence the stocks on hand aggregated 22,000 bars. The daily offtake was still unchanged at 10 to 15 bars. Despite firm advices from abroad, which in the usual course should have caused a substantial rise in local prices, the market was hesitant throughout January and prices on the whole were downward. With the prevailing uncertainty there was a widening of the gap between the price for ready and March settlement by about Rs. 3-8, price for ready quoting Rs. 63-13. Stocks on hand increased to about 23,000 bars by the end of January with no improvement in the daily offtake.

Uncertain at opening.

Large stocks on hand.

Prices sag.

American Treasury buys large quantities in London.

Rumours re: change in import duty.

Arrivals from upcountry.

Gap between ready and March settlement widens.

February witnessed a sharp decline in the rates, ready dropping to as low as Rs. 60-10 (6th). Speculation was rife concerning a reduction in the import duty on silver which caused the disparity between ready and after budget settlements to widen as much as Rs. 5-8 during the first week. Firm advices from Shanghai coupled with some open buying at lower levels pushed prices slightly upward to Rs. 62-8 (15th) for ready. The turnover in the market was fair-sized though largely of a "budli" nature. Stocks on hand continued heavy—some 23,000 bars, but the daily offtake improved slightly at lower levels averaging some 35 to 40 bars. During the third week of February prices showed a marked improvement owing to firm advices from London where the spot quotation advanced from $24\frac{3}{8}d.$ to $25\frac{3}{16}d.$ (21st). It was reported that the American Treasury was supporting the market in London. The dollar in Shanghai improved from $1s.5\frac{15}{16}d.$ to $1s.6\frac{3}{8}d.$ and silver prices in foreign markets, displayed an upward trend with a steady undertone. The rate for ready in the local market rose to Rs. 63 (16th) and a fair amount of business resulted, though it was mainly

Sharp decline in rates.

Prices improve slightly.

Offtake improves.

Marked improvement in prices.

inter-bazaar. The daily offtake again declined to about 15 to 20 bars, and the stocks were estimated at 23,000 bars. Despite very firm advices from London and a further improvement in the quotation on 27th to 25⅝*d.* prices in the local market showed no material change. However, immediately on the announcement in the budget of the Government of India that the import duty on silver was reduced from 5 annas to 2 annas per ounce forthwith, prices improved and the difference between the quotations for ready and the March settlement was almost adjusted to the proposed reduction, ready Rs. 62-15 and March settlement Rs. 70-3. A fair amount of business passed both for ready and forward delivery though mainly of an inter-bazaar nature.

Import Duty reduced.

Prices advance.

Large inter-bazaar turnover.

With the removal of the element of uncertainty regarding the import duty on silver the local market quickly responded to bullish advices from foreign markets during the first week of March. A rapid advance in prices in the London market where the quotation for spot rose to 27¼*d.* (7th) was reflected in the local prices, the quotation for ready jumping from Rs. 62-15 to Rs. 65-12 (4th). Fluctuations in prices were, however, erratic. This was due to uncertain advices particularly from Shanghai, coupled with the violent fluctuations in the cross-rates. Considerable business was transacted, and the daily offtake improved to about 55 bars a day, though the stocks were heavy at some 25,000 bars, about 1,250 bars having been shipped to London. During the next week the market remained erratic. The price for ready declined from Rs. 65-4 to Rs. 64-10 (12th) and again improved to Rs. 65-11 (14th). The undertone of the market, however, continued firm on report of heavy purchases in London by the American Government. Prices in the foreign markets were on the whole on the upward swing though intermittently sharp set-backs were caused by speculative reselling. During the third week foreign advices were rather uncertain, the disturbing factor being heavy fluctuations in foreign exchanges. Silver prices in London fluctuated widely, and though the American Treasury continued to buy at higher levels, the local market was comparatively steady with narrow fluctuations in prices. Owing to approach of settlement there was a large turnover particularly in carryovers. The daily offtake had declined to 10 to 15 bars, and stocks approximated to 25,000 bars. During the last week of March advices from New York and London were very firm. The immediate bullish factor was the news regarding the amendment of Senator Patman to Work Relief Bill providing for the issue of silver certificates against silver bullion. Silver in London rose sharply from 27 3/16*d.* to 28⅞*d.* (26th) owing to strong speculative demand chiefly from China and India. Ready in the local market shot up to Rs. 69-1 (26th), and after intermittent reactions closed at Rs. 67-9. Stocks on hand continued unchanged at 25,000 bars with a poor daily offtake of 10 to 15 bars.

Market bullish.

Large business.

Shipments to London.

Undertone firm and upward swing in prices.

Wide fluctuations.

Firm Foreign advices.

Sharp advance in quotations.

April witnessed steady conditions with relatively narrow movements in prices. Despite slightly easier advices from London owing to re-sales from India and China, coupled with the strength of sterling against the dollar, which caused a slight

Narrow movements.

recession in London prices, the rates in the local market were maintained, ready ranging between Rs. 68-5 and Rs. 67-10. During the second week of April, President Roosevelt announced an increase in the buying price of the American Treasury for newly mined silver from 64½ to 71 cents per ounce, the new rate coming into effect immediately. The local silver market was buoyant with a firm tendency and the price for ready shot up from Rs. 67-12 to Rs. 74-4 (13th). London prices rose to 31 5/16 *d.* for spot and 31 7/16 *d.* for forward. Later, however, profit-taking on a large scale, combined with a drop in London prices, caused a sharp decline and the rate for ready dwindled to Rs. 71-8 (17th). Stocks in the local market were augmented to about 28,000 bars owing to arrivals from upcountry which averaged 75 bars a day. The daily offtake on the other hand continued poor at some 10 bars. The rest of the month saw abnormal activity, and the market experienced widest fluctuations in prices. During the last week of April the local market witnessed an unprecedented and spectacular rise of over Rs. 12 in prices, the rate for ready rising from Rs. 72-12 to as high as Rs. 84 (26th). The governing factor was the news that on the 24th April the United States Treasury raised its buying price of newly mined silver from 71 to 77.57 cents per ounce. It was also stated that the Treasury would continue to purchase all domestic silver until the rate reached 129 cents per ounce. Prices in the London market soared to 36¼*d.* (26th) for spot and 36⅜*d.* for forward on heavy speculative demand with scarce offerings. Towards the close the rate in the local market touched the peak level, ready quoting Rs. 87 for 100 tolas on 27th, but in the absence of encouraging advices from other markets, the rate dropped perpendicularly to Rs. 80 the same day. Then a sharp reaction set in, and the rates in the London market registered successive falls of over a penny on heavy profit-taking by China, and the price declined to 34⅛*d.* for spot on 29th. America did not appear as a buyer at the higher levels. The price of ready in our market dropped to Rs. 80-8 at the end of the month. Stocks had increased to 32,000 bars owing to large arrivals from upcountry induced by the high level of prices.

American price raised.

Buoyant tone.

Profit-taking causes temporary recession.

Large arrivals from upcountry.

Abnormal activity.

Unprecedented rise.

Further increase in American Government buying price.

Prices reach highest on record.

Sharp fall.

American Government abstains from market.

Stocks increase.

During the first week of May prices recovered somewhat, but on the whole showed a downward trend. The London market declined further to 32⅜*d.* per ounce spot on 2nd, on heavy re-selling, and the local quotation dropped to Rs. 77–8 for ready. The two factors which were responsible for the sharp setback were: firstly the absence of buying on account of the United States Treasury in the outside markets and secondly a consequent heavy drop in London prices. Moreover, the indefinite advices regarding the attitude of the U.S.A. Government in regard to their silver buying policy produced some nervousness in the minds of speculators which caused a "shake out", forcing weak holders to liquidate. During the early part of the second week local prices declined with wide fluctuations to Rs. 76–13 (9th). Later, however, owing to firm advices from London, the rate recovered to Rs. 81–0 (11th). The market awaited with keen interest the official announcement on the 13th of May by Mr. Morgantheau. Favourable

Downward trend continues.

Nervousness continues.

American Official Statement.

construction was put on the words "we are endeavouring to restore silver to a greater usefulness as a monetary metal." The price in the local market firmed up to Rs. 83-12 (16th), following bullish advices from foreign markets. The London price, recorded a sharp advance from 33*d.* to 35⅜*d.* (16th) for spot on keen speculative demand. The undertone of the market was firmer. There was a tremendous turnover of business and fluctuations in rates were wide. Stocks on hand aggregated some 32,000 bars, while the daily offtake dwindled to 5 to 8 bars. During the third week of May the market reacted and prices turned downwards. The rate for ready declined from Rs. 83–12 to Rs. 80–3 (21st) per 100 tolas following weaker advices from Shanghai. The main influence, however, was the ban imposed by the American Treasury on the entry of foreign silver coin into U.S.A. which was construed as prohibiting importation of silver bullion obtained by melting foreign silver coins. Silver prices in London registered substantial decline from 35⅜*d.* to 33¾*d.* on heavy selling by China and speculators. With a temporary spurt in prices during the last week of May, the market was weak on the whole following advices from outside markets, coupled with liquidation by weak holders and sales by option dealers. The main factor was, however, the news regarding the invalidation of the N.R.A. which gave rise to uncertainty regarding the continuance of silver purchases by America. Rates in the local market sagged from Rs. 81–4 to as low as Rs. 78–0 (29th). The London price was also depressed to 32 15/16*d.* on speculative re-selling and some forced liquidation from China. This was regarded, however, as a temporary phase inasmuch as there was no apparent connection between the N.R.A. programme and silver purchase policy of the United States.

Prices firm up again.

Large turnover.

Prices react in all markets.

Invalidation of N.R.A. affects Silver prices adversely.

June saw a firmer tendency in the early part, and the price of ready improved to Rs. 80–2 (3rd) on the report that American Treasury had made purchases of silver in London. Prices in London, however, experienced a sharp setback on heavy unloading from China which caused a decline of 1¼*d.* for spot from 33¾*d.* to 32½*d.* Rates in the local market slumped to Rs. 77 (6th) for ready. Stocks on hand had swollen to 26,000 bars with no change in the daily offtake. The market continued to be characterised by erratic movements, holders getting nervous owing to the attitude of the American Government not to press purchases. Liquidation by Indian bazaars therefore continued in the London market and the American Government supported at lower levels only, without however, restoring confidence. The long position of Indian holders in London had by now been liquidated to a good extent. The quotation for ready after dropping precipitately to Rs. 71–14 (25th), improved to Rs. 74–5 (27th) per 100 tolas. Stocks which had been mounting and were estimated at about 35,000 bars were now telling upon the local market, there being little or no offtake for trade.

Temporary firmness.

Heavy unloading in London by China.

Stocks swell.

Liquidation in London by India.

Sharp fall in prices.

Stocks mount.

On Saturday, the 6th July, India was again a heavy seller in the London market and for the first time in the history of London silver fixing rates were not fixed until three hours after the usual hour. In the absence of fixing, the market lost its nerve completely and prices broke from Rs. 73-8 to Rs. 69–8 per 100 tolas. On receipt of fixing rates, however, which did not show such a serious drop as

Fixing in London delayed and market highly nervous.

the market was prepared for, being only $\frac{5}{16}d.$ to $30\frac{11}{16}d.$, at which level the American Treasury was reported to have bought 25 million ounces of spot silver—a record business for a day's fixing—prices in the local market recovered as sharply as they had declined. Coinciding with this came the statement of President Roosevelt in reply to queries on the silver situation "that the Treasury was trying to conform to the Silver Purchase Act in good faith." This had a salutary effect and prices advanced in all the markets, the quotation in London advancing from $30\frac{1}{4}d.$ to $31\frac{5}{16}d.$ (11th) for spot and to Rs. 73-14 (12th) per 100 tolas ready in the local market. Since, however, the American Government did not follow the rise, there was renewed selling and prices dropped, in London to $30\frac{3}{16}d.$ (15th) per oz. for spot and Rs. 70–12 per 100 tolas in the local market. At these levels, markets looked quite well set with the American Treasury buying as much spot silver as was offered to them in London at $30\frac{3}{16}d.$ per ounce every day. Prices in the local market also moved within the narrow range of Rs. 70–3 and Rs. 71–12. China was a good seller in London now, India having liquidated bulk of its holding. But as there appeared to be no signs of improvement in America's buying price and stocks in the local market were mounting being estimated at 37,000 bars, holders became somewhat restive and there was heavy tired liquidation in the first week of August with few fresh buyers. The price of ready declined from Rs. 71–4 to Rs. 69–5 (7th) and all Indian selling in London was absorbed by American purchases at $30\frac{3}{16}d.$, at which rate London prices had been fixed everyday since 15th July barring one or two occasions when it advanced slightly but America refrained from buying.

American Treasury buys large quantities.

President Roosevelt and Silver.

Prices advance.

American Treasury buys continuously spot silver.

Stocks increase further.

Prices decline.

On 12th August London rates were fixed at $\frac{1}{16}d.$ lower for spot and 2 months forward, *viz.* at $30\frac{1}{8}d.$ and $30\frac{3}{16}d.$ respectively, and on the following day there was yet a further drop to $29\frac{15}{16}d.$ per oz. both for spot and two months forward, which caused a panic in the local market. Though the American Government bought at these rates, there was a feeling of doubt whether the price would not be dropped still lower by the American Government for its further purchases. India and China sold heavily on 14th and 15th and the prices dropped further to 29*d.* for spot and $28\frac{15}{16}d.$ for 2 months forward. For the first time since August 1934 spot silver in London stood at a premium in terms of 2 months, though between 22nd May and 2nd July 1935 forward rates had been quoted a $\frac{1}{4}d.$ over the spot price. The rates in the local market dropped perpendicularly on the 14th to Rs. 64–6 per 100 tolas for ready, but recovered quickly to Rs. 67–4 (16th) on bear covering. It was reported that the American Government bought over 25 million ounces on 14th alone, and according to estimates available had acquired over 150 million ounces during July and the first half of August. Ready stocks which had grown to abnormal proportions in London were thus removed permanently and the overbought position of India and China having been liquidated in London, it appeared as

Further drop in London rates.

Nervousness prevails.

India and China sell heavily in London.

Spot Silver at premium in London.

Heavy fall in rates.

Large purchases by U.S.A. Treasury at lower rates.

Stocks heavy.

though the market would assume a healthy tone. Local stocks, however, still remained top-heavy being about 40,000 bars with a daily offtake of a mere 5 bars. Recovery locally proved shortlived,

Big Bullion dealer fails in local market.

and the quotation soon relapsed to Rs. 64–12 (19th). A serious situation developed in the market at his stage owing to the failure of an old established firm of bullion dealers, who were reported to have suffered heavy losses through fall in the price of silver. Business was accordingly suspended on the Bullion Exchange on the 20th and 21st and the Board of Directors declared a state of emergency and to safeguard the interests of the market in general, passed the following resolutions :—

Business suspended officially.

"It is unanimously resolved to prohibit merchants from entering into transactions in silver either for Shravan or Bhadrapad deliveries below the rates of Rs. 64-13-0 and Rs. 65-1-0 for 100 tolas respectively until further notice. These minimum rates are fixed with the unanimous consent of the Merchants' Committee. Any transactions for the said deliveries hereafter entered into in contravention of the above resolution will be deemed to be null and void."

Trading was resumed in the local market on the 22nd and the price opened at Rs. 65 for ready being slightly higher than the fixed minimum levels, and soon advanced to Rs. 66-14 (23rd) per 100 tolas. Business, however, was restricted, traders being disinclined to enter into fresh commitments. In the fall, some 2,000 bars of silver were shipped from India to London, reducing the stocks to 38,000 bars. The bars shipped were foreign imported duty-paid bars, while the bulk of the stocks was Indian Mint bars not entitled to refund of duty.

Trading resumed; prices improve.

Shipment of silver to London.

August Settlement passes off smoothly.

Barring the failure of the dealer mentioned above, the August settlement on the Bombay Bullion Exchange passed off smoothly and the Board of Directors met on the 27th and resolved to withdraw the measures taken under the emergency declaration by passing the following resolution :—

Emergency withdrawn.

"The Board of Directors, being of the opinion that the state of emergency declared on August 20 last, does not now exist, resolve that the restriction imposed upon free trading by the resolution of August 20 be and is hereby terminated and that the merchants be and are hereby at liberty to enter into transactions for the Bhadarwa (September) delivery without any restriction as to minimum price."

Coinciding with this there were reports in the local market regarding some confusion in Calcutta in the matter of import duty on silver, which led to nervous liquidation resulting in a sharp decline in the price of ready silver from Rs. 66-8 to Rs. 64-5 (28th). It was, however, made clear later that confusion in Calcutta was due to some misunderstanding and the price of ready recovered to Rs. 65-5.

Confusion re: Import Duty in Calcutta; prices drop.

The continued low prices caused further shipments of foreign imported duty-paid silver to the extent of 3,475 bars, reducing stocks to 35,000 bars. At lower levels arrivals from upcountry into Bombay which had been as much as 100 bars a day, were reduced to almost nil, leaving stocks unchanged, barring actual shipments.

Further Shipments of silver.

Arrivals from upcountry decrease.

Throughout September and upto the first half of October the market was steady being supported by continuous purchases by the American Treasury in the London market. Their buying rate, however, varied with changes in the cross rate being raised to $29\frac{7}{16}d.$ for spot on firm dollar and lowered to $29\frac{5}{16}d.$ on a somewhat weak dollar, though the New York price was unchanged at $65\frac{3}{8}$ cents throughout this period. Indian dealers had reduced their bull position in London to comparative insignificance and were therefore content to leave it unchanged, particularly as forward rates remained $\frac{1}{16}$th to $\frac{1}{8}d.$ under the spot price. The bulk of the purchases on Indian account were in the nature of hedge, *i.e.* against sales locally and the dealers stood to gain both ways, receiving small difference in their favour in both the markets in carrying forward at maturity while a couple of months ago, it cost them a farthing to carry forward for 2 months in the London market. Furthermore, prices in London moved narrowly highest price for spot and 2 months forward being $29\frac{5}{8}d.$ and $29\frac{3}{4}d.$ (5th Oct.) respectively, and the lowest $29d.$ and $28\frac{7}{8}d.$ respectively, while in the local market the range was relatively much bigger, highest rate for ready being Rs. 69-8 (4th Oct.) and the lowest Rs. 65-6 (5th Sept.). Though dealers occasionally took advantage of the discrepancy, they were mostly prepared to hold out for larger differences which were more or less assured owing to the heaviness of stocks at 35,000 bars with little or no offtake and no signs of any improvement in the American buying price which now held the key to the entire situation. China was if anything a persistent seller in the London market and large quantities of silver were shipped from Hongkong and through Japan.

Market maintained and steady.

American Treasury buys continuously.

Indian bull position reduced in London.

Narrow movements.

On 21st October the spurious communiques mentioned in another part of the report, dominated trading in this market, and a state of uneasiness prevailed. The alleged remission of import duty on silver which amounts to 2 annas per oz. or Rs. 4-11-0 per 100 tolas caused the price of ready to drop from Rs. 67-12 to Rs. 66, the latter rate being on import parity with London quotation. The fall was not bigger or equivalent to Rs. 4-11 the amount of alleged remission, since the local price was already under the import parity, taking the import duty into consideration, to the extent of the difference between Rs. 4-11 and the actual drop. Simultaneously with the decline in the ready rate, the quotation for November settlement advanced to Rs. 70-10 per 100 tolas which represented more or less the cum duty parity with London, since according to the Bombay Bullion Exchange rules the buyer of forward gets the benefit of the reduction in duty. As soon as the communiques proved to be false prices came to normal in the afternoon, ready being quoted at Rs. 67-14 and November settlement at Rs. 68.

Spurious Communiques.

Alleged remission of Import Duty causes fall in ready and rise in forward rates.

Prices re-adjust.

At this stage Shanghai developed weakness and there was heavy selling in London on China account. There were strong reports of China abandoning the silver standard and there was a regular scramble for sterling and dollars in the Shanghai market. T.T. Shanghai on London which stood at about $1s.\ 6d.$ in the middle of October fell precipitately to $1s.\ 2\frac{3}{4}d.$ on the last day. On selling pressure on China account in London 2 months forward was quoted $\frac{7}{16}d.$ under the spot rate, American Government buying only ready supplies at $29\frac{5}{16}d.$ In the local market a feeling

Shanghai advices weak.

Rumours re: Chinese Currency.

Selling pressure in London. of nervousness prevailed and sellers predominated, the quotation for ready after erratic fluctuations declining to Rs. 65-10 (6th Nov.) per 100 tolas.

Chinese Government decrees Currency reform. On the 4th November the Chinese Government actually decreed the following changes in the monetary system of China :—

(*a*) That Bank notes issued by the three Government Banks, namely, the Central Bank, The Bank of China and the Bank of Communications, shall be full legal tender and the Bank note reserves of the three Banks shall be placed under unified control. The notes of all other issuing Banks shall continue in circulation, but shall be gradually withdrawn and replaced by notes of the Central Bank. No new notes shall be issued by these Banks and all other unissued notes in addition to Bank note reserves shall be deposited in the Central Bank.

(*b*) All debts expressed in terms of silver shall be discharged by payment of legal tender notes of the nominal amount due.

(*c*) All holders of silver are required to exchange their silver for legal tender notes.

(*d*) The exchange value of the Chinese dollar will be stabilised at the present level and for this purpose Government Banks will buy and sell foreign exchange in unlimited quantities.

The Government owned Central Bank will be reorganized as the Central Reserve Bank of China and will be owned particularly by the Banks and the General Public, thus becoming an independent institution devoting itself chiefly to maintaining the stability of the Nation's currency. The Central Reserve Bank will hold the Reserves of the banking system, act as the depository of all public funds and will provide centralised rediscount facilities for other Banks but not undertake general commercial business.

After a period of two years it will enjoy the sole right of note issue.

Measures which have been prepared for strengthening the commercial banking system and giving increased liquidity under sound conditions and on a commercial basis include the creation of a special institution to deal exclusively with mortgage business.

Plans have been completed whereby the Nation's Budget will be balanced within 18 months. The Government is determined to avoid inflation and will take energetic measures to deal with speculation and attempts to procure unwarranted increases in prices.

Simultaneously with the passing of the above decrees the export duty on silver from Shanghai was raised from 6¾ to 57½ per cent. based on Sterling at 1*s.* 2½*d.* per Shanghai dollar. By passing these decrees, silver in China was nationalised and while it yet remains to be seen what effect this action will have on world silver prices, the fixation of the exchange at 1*s.* 2½*d.* will certainly tend to help Chinese export trade and at the same time check excessive imports. The rate of 1*s.* 2½*d.* thus fixed almost corresponded with the Kobe-London rate of 1*s.* 2½*d.*

Export Duty on silver in China raised.

Simultaneously with the introduction of monetary changes in China, there were rumours afloat, which, however, still remain unconfirmed that the Chinese Government had sold all its silver stocks aggregating about £ 36 million sterling to American Government at 29½*d.* per oz. It is, however, true that Chinese Government negotiated credit arrangements with U. S. A. and the United Kingdom with a view to maintaining their reformed monetary system.

Rumours re : sales of silver by Chinese Government.

The momentous changes in the Chinese currency system created a bullish sentiment in the local market, and the price of ready recovered sharply from Rs. 65-10 to Rs. 67-3 (4th) per 100 tolas. There was covering of a general nature in the London market where spot quotation advanced to 29½*d.* and two months forward to 29 3/16*d.*, American Government abstaining from following the rise. In fact it was reported that China particularly Hongkong, was still a seller in the London market and the very next day rates dropped to 29 5/16*d.* for ready and 28⅞*d.* for 2 months forward. Forward rate, however, gradually recovered on covering operation, and touched 29⅛*d.* on 7th, ready remaining unchanged at 29 5/16*d.* at which level American Government was a free buyer.

Sentiment in local market improves.

Following the currency reform in China, the Hongkong Government decreed on 9th November the prohibition of silver exports from Hongkong in any form. This had the temporary effect of raising prices, ready in our market advancing to Rs. 66-15 (11th) per 100 tolas. Dealers were inclined to be more cautious this time, since despite nationalisation of silver in China, sales were reported in London. As a consequence and in the absence of any encouraging advices from outside markets, prices dropped in the local market, ready touching Rs. 64-8 (23rd). The American Government, however, showed an inclination to buy spot silver at 29 5/16*d.* and only dropped the rate to 29 3/16*d.* in sympathy with the weakness of the dollar. Even so holders were becoming apprehensive and there was heavy unloading in London, forward rate declining to 28¾*d.* per ounce—the gap between ready and forward widening to 7/16*d.*

Changes in Hongkong Currency system.

Dealers cautious.

Heavy unloading in London.

As the rate Rs. 64-8 was almost on export parity, there was some bear covering in the local market, price advancing to Rs. 65-5 on the 27th. Stocks at 27,000 bars were proving too big for the market to carry and it was generally felt that unless a fair portion of this dead-weight was lifted from the market by export abroad, recovery in rates was unlikely.

Bears cover.

Stocks heavy.

There was practically no change in the silver situation in the first week of December, but a sudden change came over the markets in the following week which culminated in a crisis of unprecedented size in all the principal silver centres of the world.

No important changes.

Upto now the London market had depended upon selling all daily offerings of spot silver to the American Treasury, and as a matter of fact the latter had absorbed large quantities every day during the past two months at an almost unchanged price of about 29 3/16*d.* On December 9, however, a surprise was sprung on the

Disagreeable surprise sprung in London by U.S.A. Treasury.

market, when the American Treasury showed reluctance to bid for spot silver in London. The fixing was delayed by more than three hours when the American Treasury came to the rescue of the market absorbing all offerings of spot at $28\frac{3}{4}d.$—$\frac{7}{16}d.$ under the previous quotation. On the following day the American Government abstained from bidding in the London market and as a consequence no prices could be fixed, there being all sellers and few buyers. According to the rules of the London fixing all offerings at the prices fixed have to be absorbed and as there were no buying orders large enough to absorb all selling orders, fixing could not be done. The following day, the London Brokers suspended the operation of the above rule till further notice, and a small business was done for spot on that day at $27\frac{1}{2}d.$—a fall of $1\frac{1}{4}d.$ under last rate. It was reported that while offerings aggregated 6 million ounces, the American Government bought only 450,000 ounces, allotment being $7\frac{1}{2}$ per cent.

American Government abstains from bidding in London.

Fixing rules in London altered.

Sellers rationed.

Prices collapsed in the local market, and the Bombay Bullion Exchange authorities decided to take action in fixing the minimum rates for December and January settlements at Rs. 58-8 and Rs. 58-11 respectively until further notice; all contracts below these rates were to be invalid. Some sales were made on Indian account to the American Treasury through a local bank, and actually about 2,000 bars were shipped per s.s. *President Adams* on December 13. This was the first shipment made out from Bombay of Indian Mint bars and to America direct. Government of India also shipped to London 9,336 bars of silver valued at Rs. 1,54,84,675 per s.s. *Corfu* on December 12. This was the first shipment on Government account since May last when Government shipped about 1,038 bars.

Prices collapse and Bullion Exchange authorities decide on emergency measures.

Sales to America by India direct.

Government ships silver to London.

The tension in the silver market was not relieved at all, since prices dropped daily both in London and New York, and American Government did not buy freely as hitherto. In fact there was a complete change in the American policy. Hitherto they had restricted their purchases to the London market, but were now buying in various markets and upto fixed amounts only. This caused greater nervousness and holders were anxious to liquidate. In London forward business was impossible to place at all and in fact no rates were fixed upto the end of December. Spot also dropped every day till the price reached $20\frac{7}{8}d.$ on December 24. In our market business for forward remained suspended right upto the close of the year. Even business in ready was stopped by the Board of Bullion Exchange for a few days to allow the current monthly settlement to be squared off. Price of ready dropped perpendicularly to Rs. 48 per 100 tolas on the 19th. At lower levels however, there was good investment demand and it is estimated that about 4,000 to 5,000 bars were taken off the market. Prices in the meantime recovered to Rs. 54 per 100 tolas but declined to 52-12, again shot up to 55-8 at the close. America continued purchases in India and a further 2,958 bars were shipped per s.s. *President Harrison* on December 23. Government of India

Tension continues.

Change in American buying policy.

Forward business not possible in London.

Good offtake at lower levels.

Price recovers.

Further shipment to U. S. A.

also shipped a further 14,050 bars during the last two weeks to London making a total of 23,386 bars during December valued at Rs. 3.65 crores. During the year Government exported 42.789 million ozs. valued at Rs. 6.08 crores while exports on private account amounted to 22.641 million oz. valued at Rs. 2.49 crores.

December Settlement passes off well.

The apprehensions regarding the December settlement of accounts were unfounded as was proved later, the settlement going off smoothly, only it was postponed for one week. The market closed with an uncertain feeling, but there would appear to be good resistance at lower levels. In fact India bought a small amount in London during the last week, with the result that for the first time since December 9, the London fixing showed an improvement of $\frac{1}{8}d.$ to 21*d.* on December 27, followed by a rise of $1\frac{1}{16}d.$ to $22\frac{1}{16}d.$ on the 30th. The closing quotation in London stood at $22\frac{1}{2}d.$ for spot, but two months forward was still unfixed. The stocks in Bombay at the close of the year amounted to about 17,000 bars, with a daily average offtake of about 600 bars during the last two weeks.

India buys in London again.

Stocks reduced in local market.

SHARES.

Buoyant tone at the opening.

The share market opened buoyantly in the New Year with a general feeling of optimism. The Cotton Mill shares received further impetus from an improvement in the price of raw cotton. Bombay Dyeings which had closed at Rs. 927-8 advanced to Rs. 957-8, (3rd) and all others improved proportionately, Centurys from Rs. 313-2 to Rs. 323-12, Central India from Rs. 330 to Rs. 346-4 and Kohinoors from Rs. 218-12 to Rs. 231-4.

Steel shares attractive.

Among other industrials, Steel shares attracted most attention and were the favourite counter owing to their speculative nature. Tata Iron Ordys opened at Rs. 112 and Defds at Rs. 486-14 compared with the closing quotations of Rs. 110-8 and Rs. 478-12 respectively. Hydro-Electric and Cement groups ranked next, inquiry in these sections being of investment character. Tata Powers advanced from Rs. 1,435 to Rs. 1,498-12 (4th) and Andhra Valleys from Rs. 1,655 to Rs. 1,702-8. Among Cements, Bundis improved from Rs. 34-12 to Rs. 36-8 (4th) Indian Cements from Rs. 365 to Rs. 388-12 and Shahabad from Rs. 345 to Rs. 387-8. Railway and Bank shares were also in good demand, Imperial Bank fully paid gaining from Rs. 1,615 to Rs. 1,652-8 and Partly Paid from Rs. 405 to Rs. 423-2. Bank of India shares rose from Rs. 121 to Rs. 125 and those of the Central Bank from Rs. 35-2 to Rs. 35-8. Industrial Investment Trust shares were quoted at Rs. 67.

Tata Powers advance.

Cement shares firm.

Temporary set-back ; then prices advance substantially.

In the second week, however, a temporary set-back in prices on profit-taking, proved only to be a lull before the storm since in the following two weeks there was feverish activity on the Stock Exchange with prices advancing to unprecedented levels in several issues in the miscellaneous group. Trading was voluminous in all sections ; among Cotton Mills, Bombay Dyeings which had declined to Rs. 927-8 (15th) advanced to Rs. 986-4 (24th) ; Centurys improved to Rs. 334-6, Central India to Rs. 370 and Kohinoors to Rs. 234-6. Tata Iron and Steels rose sharply, Ordinarys from Rs. 115 to Rs. 132-8 and Deferreds from Rs. 503-12 to Rs. 672-8 (30th) and Second Preference from Rs. 169-12 (14th) to Rs. 172-0 (30th). Tata Powers recorded a rise of Rs. 81-4 to Rs. 1,580 (23rd) and Andhra Valleys of Rs. 127-8 to Rs. 1,817-8 (21st). Among Cements, Bundis improved to Rs. 38-10, Indian Cements to Rs. 392-8, Shahabads moved between Rs. 383-12 and Rs. 365 and Katni Deferreds after improving to Rs. 1,340 closed at Rs. 1,337-8. Bank shares on the other hand were somewhat easier, Imperial Bank fully paid declining from Rs. 1,680 to Rs. 1,577-8 and Partly Paid from Rs. 423-2 to Rs. 397-8. Bank of India shares eased from Rs. 125 to Rs. 123 and those of the Central Bank from Rs. 39-12 to Rs. 37-12.

Trading voluminous ; Mill shares advance.

Cements improve further.

Bank shares decline.

Profit-taking causes prices to decline.

At the higher levels there was a natural tendency on the part of holders and jobbers to take profit ; furthermore, the market was influenced by rumours about the position of the gold bloc currencies, and price movements accordingly were erratic. There were unfounded reports that the Stock Exchange authorities contemplated action with a view to restrict trading, particularly in steel shares. Among Cotton Mills,

Bombay Dyeings after declining from Rs. 986-4 to Rs. 957-8 (26th) improvedto Rs. 971-4 at the end. Centurys after declining from Rs. 334-6 to Rs. 318-12, advanced to Rs. 325-10 closing at Rs. 322-8.

Steel shares quite steady.

Tata Iron and Steel shares were quite steady ; Ordinarys moving between Rs. 129 and Rs. 141-8, closed at Rs. 139-8, while Deferreds after declining from Rs. 670 to Rs. 608-12, moved up sharply to Rs. 672, but closed at Rs. 652-8. Tata Second Preference were a shade easier at Rs. 171 ; Tata Powers declining from Rs. 1,580 to Rs. 1,545 improved to Rs. 1,560, closing at Rs. 1,547-8 ;' Andhra Valleys,

Hydro-Electrics decline.

receded from Rs. 1,817-8 to Rs. 1,780. Cement shares were practically unchanged, but Bank shares were weak, Imperial Bank fully paid dropping from Rs. 1,612-8 to Rs. 1,577-8 and Partly Paid from Rs. 402-8 to Rs. 397-8. Bank

Bank shares decline further.

of India shares declined from Rs. 123 to Rs. 121. There was a good demand for New India Assurance Co.'s shares at Rs. 45 while of those of Industrial Investment Trust were quoted at Rs. 65.

Stock-Market resumes upward trend again.

The concern felt regarding gold bloc currencies had passed and the rumours that the Stock Exchange authorities contemplated action restricting business in Steel Shares proving unfounded, the Stock market once again resumed its upward trend early in February, and there was hectic activity in all sections. Record levels were reached for several issues and turnover was very large. Among Cotton Mills, Bombay Dyeings advanced from Rs. 950 to Rs. 1,001-4, (4th) Centurys from Rs. 316-4 to Rs. 336-4;

Record levels reached; Mill shares advance.

Central India from Rs. 367-8 to Rs. 413-12 and Kohinoors from Rs. 221-14 to Rs. 243-12. In steels, Ordinarys rose to Rs. 153-8 from Rs. 138-8 while Deferreds reached Rs. 728-12. Hydro-Electric group witnessed the biggest rise, Andhra Valleys going up 100 points to Rs. 1,840 and Tata Powers 150 points to Rs. 1,710. Even Bombay

Steel shares rise ; Hydro-electrics big improvement.

Burmahs which had remained lethargic since the opening improved from Rs. 396-4 to Rs. 420. Cement shares all advanced, Bundis to Rs. 40-2, Indian Cement to Rs. 426-4 and Shahabads to Rs. 390-0. New India Assurance

Cements advance.

improved further to Rs. 49-8 and Belapurs to Rs. 292-8. Bank shares also showed an improvement, Imperial fully paid advancing from Rs. 1,575 to Rs. 1,635 and

Bank shares improve.

Contributories from Rs. 395 to Rs. 409-6. The Central Banks jumped from Rs. 38-6 to Rs. 41 while Bank of India's improved from Rs. 121 to Rs. 122-8.

Reaction follows.

After such a hectic rise it was natural for the market to react and prices dropped all round from the second week of February. Holders began to realise profits and trading

Cotton mills decline.

was somewhat more cautious during the latter part of the month. Among Cotton Mills, Bombay Dyeings declined from Rs. 1,001-4 to Rs. 942-8, Centurys from Rs. 330 to Rs. 291-4, Central India from Rs. 413-8 to Rs. 372-8 and Kohinoors from Rs. 243-12 to Rs. 230. Steel Shares moved within a comparatively small

Steel shares move narrowly.

range and in fact Tata Ordinarys after declining to Rs. 147 advanced further to Rs. 161-8 ; Tata Deferreds dropping from Rs. 722-8 to Rs. 660 improved to Rs. 738-12. Among Hydro-Electrics, Tata Powers dropped from Rs. 1,710 to Rs. 1,627-8 and Andhra

Tata Powers drop.

New Indias decline while Belapurs advance.

Cement shares advance.

Valleys from Rs. 1,810 to Rs. 1,755 but recovered to Rs. 1,727-8 and Rs. 1,795 respectively. New India Ass. shares were steady moving between Rs. 49-4 and Rs. 48, but Belapur Sugars maintained the upgrade rising to Rs. 315. Cement shares recorded substantial advances, Bundis rising from Rs. 40-2 to Rs. 44, Indian Cements from Rs. 397-8 to Rs. 455 and Shahabads from Rs. 388-12 to Rs. 435. Cement shares were strong following the publication of the Indian Central Budget which revealed that rumours regarding excise duty on cement were unfounded. These rumours had checked the rise in this group for the last two months.

Market adversely affected by Cotton crisis in U. S. A.

Prices recover.

In the second week of March the market re-opened easy after four days closure owing to the settlement of accounts. The news of a crash in cotton prices in New York influenced the market adversely, and mill shares weakened in particular with a sympathetic decline all round. However, following news from U. S. A. that Government intended to make no change in their policy with regard to cotton, confidence was somewhat restored and prices recovered slightly, however, giving way towards the close on selling pressure. At this juncture there were misgivings about gold bloc currencies again, Belgium being the weakest spot now. This affected steel shares adversely. The turnover was fair-sized. Among Cotton mill shares, Bombay Dyeings declined from Rs. 928-12 to Rs. 877-8 (23rd) but improved to Rs. 900 and closed at Rs. 892-8 ; Centurys dropped from Rs. 300 to Rs. 287-8 ; Central India from Rs. 368-12 to Rs. 340-0 and Kohinoors from Rs. 231-4 to Rs. 203-12, but reacted at the end to Rs. 303-12, Rs. 342-8 and Rs. 206-4 respectively. Although movements in Steels were comparatively small during most part, they weakened at the close, Tata Ordinarys declining to Rs. 140-8 (23rd) and Deferreds touched the low level of Rs. 600, but improved to Rs. 143-8 and Rs. 661-4 respectively. Hydro-Electrics were easy, Andhra Valleys declining to Rs. 1,610 and Tata Powers to Rs. 1,535xd. Cement Shares on the other hand continued on the upward grade, Bundis touching Rs. 49 and Indian Cements Rs. 456-4, though the closing was low at Rs. 42-12 and Rs. 405 respectively. New India Ass. shares were a shade easier at Rs. 41 while Belapurs declined to Rs. 298-12. Bank shares were also weak, Imperial Bank fully paid declining from Rs. 1,620 to Rs. 1,520(23rd) and Contributories from Rs. 402-8 to Rs. 378-12. Central Banks declined from Rs. 39-12 to Rs. 34-0 and Bank of India from Rs. 123 to Rs. 118-8.

Cotton mills decline.

Steel shares weaken.

Hydro-electrics easy.

Cements continue upward.

New Indias decline further.

Weakness persists.

Serious drop in Gilt-edged reacts on Shares.

The weakness prevailing during the latter part of March persisted during the first fortnight in April, being augmented by the serious drop in gilt-edged following disquieting political news from Europe. There was an all round nervous liquidation, and conditions were panicky, prices declining sharply in all sections. It was even apprehended that the April settlement might present some difficulties. At lower levels, however, there was covering by bears, and prices recovered somewhat. Among Cotton Mills, Bombay Dyeings declined from Rs. 885 to Rs. 842-8, Centurys from Rs. 301-4 to Rs. 282-8 and Central India from Rs. 341-4 to Rs. 323-12.

Cotton mills decline.

In Steel shares there was a sharp break in prices, Tata Ordinarys declining to Rs. 128 and Deferreds to Rs. 565, at which level a slight improvement occurred, Ordinarys improving to Rs. 131 and Deferreds to Rs. 582-8. In sympathy with the fall in Gilt-edged, Hydro-Electrics and other cash shares fell precipitately, Tata Powers touching Rs. 1,435 and Andhra Valleys Rs. 1,542-8. Bombay Burmas declined to Rs. 342-8, New India Assurance to Rs. 41 and Industrial Investment Trust to Rs. 50. Imperial Bank fully paid declined to Rs. 1,490, Bank of India to Rs. 114 and Central Bank to Rs. 34-10.

Sharp break in steel shares.

Hydro-electrics fall.

Bank shares decline.

Accounts in connection with the April settlement were squared off smoothly and the market re-opened healthier after four days closure in this connection. In the meantime the Belgium Government had also given an assurance that steps had been taken to ensure that the devaluation of Belga should not lead to abnormal exports of Belgian goods to foreign markets, and that for this purpose a system of export licenses would take effect for certain articles. Among Cotton mill shares, Bombay Dyeings advanced to Rs. 862-8, Centurys to Rs. 291-4, Central India to Rs. 334-6 and Kohinoors to Rs. 204-6. Steel shares advanced substantially, Ordinarys to Rs. 142-4 and Deferreds to Rs. 645. Hydro-Electrics also improved, Tata Powers to Rs. 1,545 and Andhra Valleys to Rs. 1,618-12. Among Bank shares, Imperial fully paid recovered to Rs. 1,535 and Contributories to Rs. 381-14.

Accounts for April Settlement squared; market healthier.

Cotton mills advance.

The market maintained a healthy tone during the latter half of April and throughout May, and there was more confident trading. Price changes were small in the cotton mill section, but Steels, Hydro-Electrics and Cements were firmer. Among Cotton mills, Bombay Dyeings ranged between Rs. 883-12 and Rs. 837-8, Centurys between Rs. 287-8 and Rs. 262-8, Central India between Rs. 335 and Rs. 306-4 and Kohinoors between Rs. 209-6 and Rs. 195. In Steels, Tata Iron Ordinarys advanced to Rs. 151-8 and Deferreds to Rs. 738-12, but closed at Rs. 145-8 and Rs. 711-4 respectively. In Hydro-Electrics Tata Powers rose to Rs. 1,625 and Andhra Valleys to Rs. 1,727-8. Cement shares were in good demand on reports of a merger scheme for all the important existing cement companies in India—Bundi Cements touched Rs. 47-12, and Indian Cements Rs. 457-8. Katni Deferreds advanced over Rs. 200 points to Rs. 1,450 and Okha Ordinarys improved from Rs. 221-4 to Rs. 241-4 and United from Rs. 82 to Rs. 103. Among Banks, Imperial fully paid improved to Rs. 1,597-8 and Contributories to Rs. 397-8; Central Banks advanced from Rs. 34-8 to Rs. 38 and Bank of India rose from Rs. 119 to Rs. 121-4.

Healthy tone maintained.

Merger reports cause good demand for cements.

Bank shares improve.

During the earlier part of June, the market was steady with small variations in prices, but a sagging tendency developed in the second half largely owing to restricted business in the market after the crisis in April. Holders were inclined to take profit and there was predominance of sellers over buyers. Among cotton mills, Bombay Dyeings declined to Rs. 810, Centurys to Rs. 252-8, Central India to Rs. 287-8 and Kohinoors

Market steady with small changes.

to Rs. 195. In Steels, Tata Ordinarys receded to Rs. 145-4 and Deferreds to Rs. 625. Among Electrics, Tata Powers dropped to Rs. 1,567-8 and Andhra Valleys to Rs. 1,692-8. Cements were also easier in sympathy, Bundi's declining to Rs. 38 x.r. and Indian Cements to Rs. 425; Katni Deferreds on the other hand showed a further advance to Rs. 1,620 while Okhas also improved to Rs. 262-8. Among Banks, Imperials fully paid declined to Rs. 1,550, and Partly Paid to Rs. 388-12. Bank of India and Central Bank shares were maintained at previous levels.

Profit-taking causes prices to decline.

The market was very dull during the early part of July with small price movements in all sections. Investors still kept aloof from the market, business being largely of a jobbing type. Accordingly prices showed a sagging tendency by mid-month; Bombay Dyeings declined to Rs. 778-12 (19th), Centurys to Rs. 252-8, Central India to Rs. 282-8 and Kohinoors to Rs. 190. Steel shares were the worst sufferers like they were the best at the time of gains, Tata Deferreds declining from Rs. 642-8 to Rs. 571-4 (19th) and Ordinarys from Rs. 149-4 to Rs. 138-8. Even the Second Preference lost 5 points to Rs. 146-12. Among Hydro-electrics, Tata Powers declined from Rs. 1,621-4 to Rs. 1,566-4 (19th) and Andhra Valleys from Rs. 1,750 to Rs. 1,706-4. Cement group, like other industrials, suffered proportionate losses. Among Bank shares, Imperials were maintained around Rs. 1,560 for fully paid and around Rs. 395 for partly paid. The shares of the Reserve Bank were now quoted on the market. The dealings started around Rs. 131-8 but the price eased to Rs. 129 shortly.

Market dull; investors cautious.

Prices sag.

During the latter part of July, the market showed signs of recovery as the force of bear attacks seemed completely spent. The bulls were having their turn now, investors still keeping on the watch. All issues registered price improvement, prominent being Steels, Hydro-electrics and Cements. The cotton mill shares also improved, Bombay Dyeings to Rs. 800, Century to Rs. 254-6, Central India to Rs. 290 and Kohinoor to Rs. 195-10. Among Steels, Tata Ordinarys advanced to Rs. 146 and Deferreds to Rs. 627-8. Tata Steel Second Preference were steady at Rs. 149-12. In Hydro-electrics Tata Powers improved from Rs. 1,566-4 to Rs. 1,621-4, and Andhra Valleys from Rs. 1,706-4 to Rs. 1,747-8. Cement shares were firm and in good demand, Bundis touching Rs. 36 and Indian Cements Rs. 456-4. Katni Deferreds witnessed a spectacular rise from Rs. 1,620 to Rs. 1,885 (27th) while Shahabad gained 20 points to Rs. 491-4. Bank shares contrary to the rest of the market were easy, Imperial Bank fully paid declining from Rs. 1,560 to Rs. 1,490xd and Partly Paid from Rs. 395 to Rs. 371-4xd. The Bank of India shares declined from Rs. 123-8 to Rs. 120xd and those of the Reserve Bank fell from Rs. 129 to Rs. 124.

Market shows signs of recovery.

Cotton mill shares improve.

Steel shares advance.

Cement shares firm.

Bank shares decline.

During the first fortnight in August, the market was steady generally with small price variations except in the Cement group of shares which were in prominence owing to reports of a merger Company being formed with a view to consolidate the existing Cement Companies. There was a good demand for all Cement shares

Market steady; Cements prominent.

at advancing rates; Bundis reached Rs. 36-10, Indian Cements Rs. 483-12, Katni Ordinarys Rs. 420 and Deferreds Rs. 1,985 (8th) and Shahabads Rs. 487-8. The other industrial share to gain was Belapur Sugars, which advanced from Rs. 331-4 to Rs. 345 on demand for investment.

In the third week of August the market was easier in sympathy with conditions in other markets, especially gilt-edged. The fall in gilt-edged was the result of the " war scare ". This proved to be only a prelude to a bigger fall in values which actually occurred in the following week. The market was nervous, there being an all round liquidation on account of weak holders. The crisis in the bullion market, the fall in the price of raw cotton and weak advices from Calcutta regarding Jutes were responsible for the debacle on the Stock Exchange. Among cotton mills, the big issues declined 20 to 30 points; Bombay Dyeings fell from Rs. 800 to Rs. 716-4 (26th); Centurys from Rs. 254-6 to Rs. 212-8 (24th), Central India from Rs. 290 to Rs. 235 (28th) and Kohinoors from Rs. 195-10 to Rs. 175. In Steels, Tata Ordinarys dropped from Rs. 157-4 to Rs. 132 and Deferreds to Rs. 528-12. The Second Preference declined to Rs. 145-8. Electric shares suffered as badly, Tata Powers falling from Rs. 1,625 to Rs. 1,513-12 (28th) and Andhra Valleys from Rs. 1,760 to Rs. 1,670. Cement shares were also easier in sympathy, Bundis declining from Rs. 36-6 to Rs. 34-4, Indian Cements from Rs. 483-12 to Rs. 440, Katni Ordinarys from Rs. 420 to Rs. 356-4. Katni Deferreds fell sharply from Rs. 2,090 (13th) to Rs. 1,680xd Belapur Sugars declined from Rs. 345 to Rs. 315-10 (28th) and the shares of the Industrial Investment Trust were for the first time quoted at a small discount at Rs. 49. The Bank shares did not escape either, and in fact suffered rather badly; Imperial Bank fully paid declined from Rs. 1,490 to Rs. 1,415 and partly paid from Rs. 372-8 to Rs. 355. The Bank of India declined to Rs. 118-8, the Central Banks to Rs. 32-10 and those of the Reserve Bank to Rs. 120-4.

Market easier in sympathy with gilt-edged.

Market nervous; alround liquidation.

Cotton mills decline.

Steel shares drop; Hydro-electrics fall.

Cements easier.

Belapurs and Industrial Investment Trust shares decline.

Prices were maintained in the first week of September, but there was a sharp break in value again in the second week except in the cement group which on the contrary recovered on reports of the merger scheme making headway. Bundi cements advanced from Rs. 34-4 to Rs. 36-8 (9th), Indian Cements from Rs. 443-12 to Rs. 481-4, Katni Ordinarys from Rs. 356-4 to Rs. 371-4 and Katni Deferreds from Rs.1,680xd to Rs.2,100. The Steel shares suffered sharp decline on reports of the formation of new iron and steel works in Calcutta which was bound to compete with Tatas products. There was an orgy of selling, Tata Ordinarys touching Rs. 130 and Deferreds Rs. 502-8. Cotton Mill shares, as also other industrials were, all easier.

Sharp break in prices.

Cements, however, steady.

Steel shares fall.

In the third week, there was yet a further break in values under selling pressure from weak holders, and bears taking advantage hammered down prices. There was a panic in the market, and the Stock Exchange authorities intervened by stopping forward transactions with effect from the 15th. The intervention was indeed timely and necessary as bears seemed intent upon playing havoc with the market.

Further drop in prices.

Market panicky.

With a view to exercising greater control it was decided by the authorities to recall all the old admission passes to the Trading Hall and issue new ones instead to *bona fide* persons only. The Directors also decided to ask all the members to submit lists of outstanding business and the Directors were to examine the volume of business done by each broker and the risk involved in the transactions.

Authorities Act; forward trading suspended.

In the meanwhile prices dropped to low record rates, there being all sellers with few buyers except on big drops. Among Cotton mills, Bombay Dyeings fell from Rs. 742-8 to Rs. 711-4 (17th), Centurys from Rs. 221-14 to Rs. 210, and Central India from Rs. 248-2 to Rs. 235. Steels and Hydro-Electrics particularly Tata Powers suffered badly; Tata Deferreds declined to Rs. 460, Ordinarys to Rs. 126, Tata Powers to Rs. 1,460 and Andhra Valleys to Rs. 1,585. There was a sympathetic decline in Cement shares; Bundis dropped to Rs. 35, Indian Cements to Rs. 460, Katni Ordinarys to Rs. 352-8 and Katni Deferreds to Rs. 1,925. Among miscellanous industrials Belapurs declined to Rs. 312-8, New India Assurance to Rs. 37-8 and the shares of Industrial Investment Trust to Rs. 46. Among Bank shares, while Imperials were practically unchanged, the Bank of India declined to Rs. 118-8, the Central Bank to Rs. 31-4 and the Reserve Bank to Rs. 118-8.

Prices drop to low record levels.

Steels and Hydro-electric suffer.

Sympathetic decline in cements.

Belapurs and New Indias decline.

Bank shares recede.

Forward trading remained suspended, but the Board of Directors decided to allow cash dealings in the following 15 specified scrips from the forward list as from 24th September :—

Some forward list shares opened for cash trading.

Colaba, Gokak, New Greats, Mysore, Phoenix, Simplex, Sassoon Silk, Alcock, Indian Bleaching, Tata Hydro (Ordy.), Premier Construction, Bombay Trams, Bombay Steam, Bombay Telephone and Shivrajpur.

Apart from the other factors which were responsible for the sharp fall in share values, the fall in Tata Steel shares was aggravated by reports that Tata Iron and Steel Co. contemplated an issue of fresh capital with a view to join the new steel undertaking. This was viewed with positive disfavour by the existing shareholders who began to unload. This caused the Board of Directors of Tata Iron and Steel Co. to make a statement to the effect that they were conducting negotiations for the establishment of new steel works in India. But they added that no finances would be required for the scheme for a year, the expenditure being spread over a long period. Dealing with the question of obtaining finances when necessity arose the statement said :—

Reports of fresh issue of capital for Tata Steels.

" The Board wishes to point out that the finances could not be provided by the issue of new capital except by a special resolution requiring a 75 per cent. majority of the total voting power of the shareholders.

There can, therefore, be no question at any time of the Board's taking action in this way which would not command the assent of the shareholders."

Analysis of voting power of Tata Steels.

The following analysis of the voting power of different classes of shareholders may be found interesting :—

Tata Iron and Steel Company.

(Voting rights.)

Every one share, ordinary, deferred or 1st preference, equals one vote at the General Meeting, provided the share has been held at least 3 months previous to the said General Meeting.

Every five shares, second preference, equal one vote at the General Meeting, provided the shares have been held at least 3 months previous to the said General Meeting.

50,000 1st preference shares	..	50,000 votes.
700,000 2nd preference shares	..	140,000 „
Total preference votes	..	190,000 „
350,000 ordinary shares	..	350,000 „
48,750 deferred shares	..	48,750 „
Total	..	398,750 „
Total votes	..	588,750.

There was no movement of any importance in share prices where dealings were allowed during the remainder of September. From the first of October four new scrips from the forward list—Bundi, Punjab, and Katni Cements and Bombay Burma Trading Corporation—were added to the list of shares dealt in for cash.

Further scrips opened to cash trading.

With a view to settle business for October settlement, the Board of Directors of the Stock Exchange fixed the carry forward rates for shares on the forward list on the basis of 6 per cent. interest and extended the time of payment to the November settlement. This naturally gave buyers a longer breathing space, for they had to pay only the difference money, instead of the entire contract price.

Carry forward rates fixed.

The market was now steadier and with the continuance of war-like hostilities in Abyssinia optimism prevailed. The Board of Directors decided, subject to the monthly settlement passing off smoothly, and payments therefor being made in time to re-open the market for forward business on the 14th October for two hours from 2 p.m. to 4 p.m.

Steadier feeling; Board permits forward trading.

Among shares dealt in for cash, cotton mill shares recorded a small rise in sympathy with higher raw cotton. Better production of Tata Iron and Steel Co. helped to enhance the price of Tata 2nd Preference from Rs. 141 to Rs. 150. Bombay Trams advanced from Rs. 140-10 to Rs. 145. Bank shares were all better, Imperial fully paid at Rs. 1,470 and partly paid at Rs. 361-4. Bank of India improved to Rs. 121-4 and the Reserve Bank to Rs. 121-4. Alcock Ashdown rose sharply from Rs. 180 to Rs. 210 while Bombay Steams improved from Rs. 303-12 to Rs. 313-12 and New India Assurance from Rs. 37-4 to Rs. 39. Shivrajpurs were in good demand, the quotation advancing to Rs. 35-4.

Cotton mills improve.

Steels improve.

Bank shares better.

Shivrajpurs in good demand.

Forward trading resumed.

Forward trading was resumed on the Stock Exchange as from the 14th and the market re-opened with a somewhat uncertain tone. There were erratic price movements at the opening in all sections, but a firmer tendency was noticeable as the week progressed. Trading, however, was restricted, investors awaiting further developments and even the war news did little to rouse activity.

Upward trend in prices; confidence reviving.

Cements advance.

The market, however, maintained the upward trend and the tone was distinctly healthy by the end of the month. Buying orders increased and confidence was reviving. Cement shares were particularly steady with good demand on reports of the merger scheme nearing conclusion—Bundi's advanced to Rs. 35-12, Indian Cements to Rs. 472-8, Katni Ordinarys to Rs. 367-8 and Deferreds to Rs. 2,150. Cotton mill shares also firmed, Bombay Dyeing advancing from Rs. 712-8 to Rs. 785, Centurys from Rs. 212-8 to Rs. 236-14 and Central India from Rs. 235 to Rs. 272-8.

Steels and Hydro-Electrics recover.

Steels and Hydro-Electrics recovered almost as sharply as they had dropped, and confidence appeared to be fully restored. Tata Ordinarys advanced from Rs. 128 to Rs. 145-8 and Deferreds from Rs. 456-4 to Rs. 571-4. Tata Powers gained nearly 80 points to Rs. 1,527-8 and Andhra Valleys moved up from Rs. 1,532-8 to Rs. 1,607-8. Among miscellaneous shares, Belapur Sugars advanced to Rs. 341-4 and New India Assurance to Rs. 40-4. Bank shares all improved, Imperial Bank fully paid to Rs. 1,502-8 and partly paid to Rs. 380, Bank of India to Rs. 124, Central Bank to Rs. 34-8 and Reserve Bank to Rs. 124.

Buoyant tone manifest.

During the first half of November, the market maintained buoyancy and prices advanced further in all sections, except in the Cement group which declined on reports that the merger scheme was in difficulties and it would be some time before things were finally settled. Consequently Bundis declined from Rs. 35 to Rs. 33 xd, Indian Cements to Rs. 439-6, Katni Deferreds to Rs. 1,850 and Shahabad to Rs. 469-6.

Steels and Hydro-Electrics firm.

Steels and Hydro-Electrics on the other hand were firm, Tata Ordinarys reaching Rs. 154-4 (12th) and Deferreds Rs. 626-4. The strength in gilt-edged helped the rise in Electrics, Bank and other shares on the dividend paying list. Tata Powers touched Rs. 1,537-8, Andhra Valleys Rs. 1,645 and Bombay Trams Rs. 147-13. Among Banks, Imperial Bank fully paid advanced to Rs. 1,570 and partly paid to Rs. 390. Among miscellaneous shares, Bombay Burmahs were in the lime-light after a long lapse, old shares being quoted at Rs. 413-2 as against Rs. 343 a month ago. Belapurs found buyers at Rs. 350.

Bank shares advance.

Slightly subdued tone.

In the third week the market was slightly subdued, holders being inclined to take profit. Prices, however, on the whole were quite well maintained despite considerable selling pressure. The rumours current in the previous week regarding difficulties in the Cement merger scheme proved to be unfounded and there was a fresh orgy of buying in this section. Bundis firmed from Rs. 33 to Rs. 34, Indian Cements from Rs. 439-6 to Rs. 462-8, Katni Deferreds from Rs. 1,850 to Rs. 2,090 and United Cements from Rs. 113-4 to Rs. 122-8.

Cements very steady.

In Steels, Tata Ordinarys declined from Rs. 154-4 to Rs. 147-4 and Deferreds from Rs. 625 to Rs. 575. Among Electrics, Tata Powers declined from Rs. 1,557-4 to Rs. 1,521-4 and Andhra Valleys from Rs. 1,642-8 to Rs. 1,631-4. Cotton mill shares were also somewhat easier, Bombay Dyeing at Rs. 753-12, Centurys at Rs. 220 and Central India from Rs. 275 to Rs. 265. Among miscellaneous industrials, Bombay Burmahs declined to Rs. 393-12 and Belapurs to Rs. 342-8. Bank shares on the other hand improved further in sympathy with the gilt-edged; Imperial Bank fully paid advanced to Rs. 1,560 and partly paid to Rs. 388-2. Bank of India improved to Rs. 125-4, Central Bank to Rs. 36-2 and Reserve Bank to Rs. 127. Scindia Steams which had been neglected hitherto found good buyers around Rs. 13-8.

Steel shares decline.

Cotton mills easier.

Bank shares improve.

In the last week again there were no changes of any importance, prices being maintained in all sections. Bombay Burmahs witnessed some influential buying, putting up the rate to Rs. 415 (21st). Shivrajpurs also found many buyers the rate advancing from Rs. 29-8 to Rs. 32-12. The Cotton mill shares were inclined to be dull and prices showed a sagging tendency, Bombay Dyeings declined to Rs. 752-8, Century to Rs. 217-8 and Central India to Rs. 262-8.

No important changes.

Cotton mill shares dull.

Under the leadership of gilt-edged which were firm, the Stock market was quite steady during the first week of December and a fair turnover was reported at advancing prices, particularly in shares in the cash section and in public utility shares. Reserve Bank shares advanced sharply to Rs. 134; Bank of India to Rs. 127 and Imperial Bank fully paid to Rs. 1,580. New India Assurance improved to Rs. 44-8; Tata Hydro-Electrics advanced from Rs. 165 to Rs. 169-11, Tata Powers from Rs. 1,547-8 to Rs. 1,581-4 and Andhra Valleys from Rs. 1,642-8 to Rs. 1,660. Other sections were maintained except Cotton mill shares, which in absence of business showed a sagging tendency—Bombay Dyeings declining from Rs. 762-8 to Rs. 732-8 and Central India from Rs. 261-4 to Rs. 253-12.

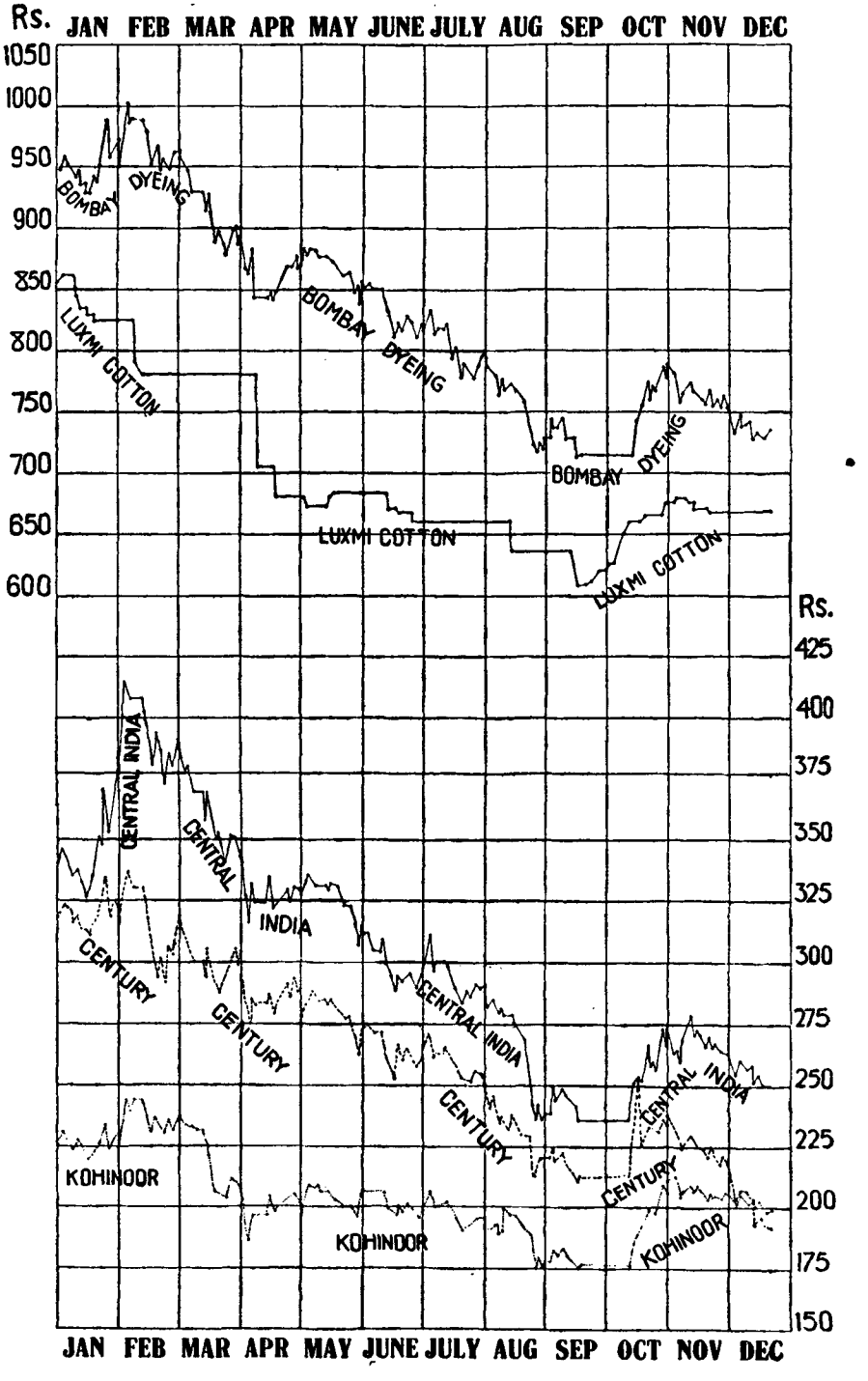
Market steady in sympathy with gilt-edged.

In the second and the third weeks, the market was steadily maintained, being undisturbed by the silver crisis. The turnover, however, was small and prices showed little variation. There was a holiday feeling in the market. Tata Iron Ordinarys declined to Rs. 146-4 but closed at Rs. 149-12, while Deferreds after declining to Rs. 572-8 closed at Rs. 585. All other scrips were a shade easier, holders trying to keep square over the holidays. Mill shares declined in absence of buying inquiry and a drop in the price of raw cotton. Bombay Dyeings closed at Rs. 735, Centurys at Rs. 191-4 and Central India at Rs. 250. Hydro-Electrics were also slightly easier, Tata Powers closing at Rs. 1,545 and Andhra Valleys at Rs. 1,640. Cement shares were practically unchanged, while Bank shares receded somewhat—Reserve Banks closing at Rs. 130-4, Imperial Bank fully paid at Rs. 1,575 and partly paid at Rs. 386-4.

Dull market; undertone steady.

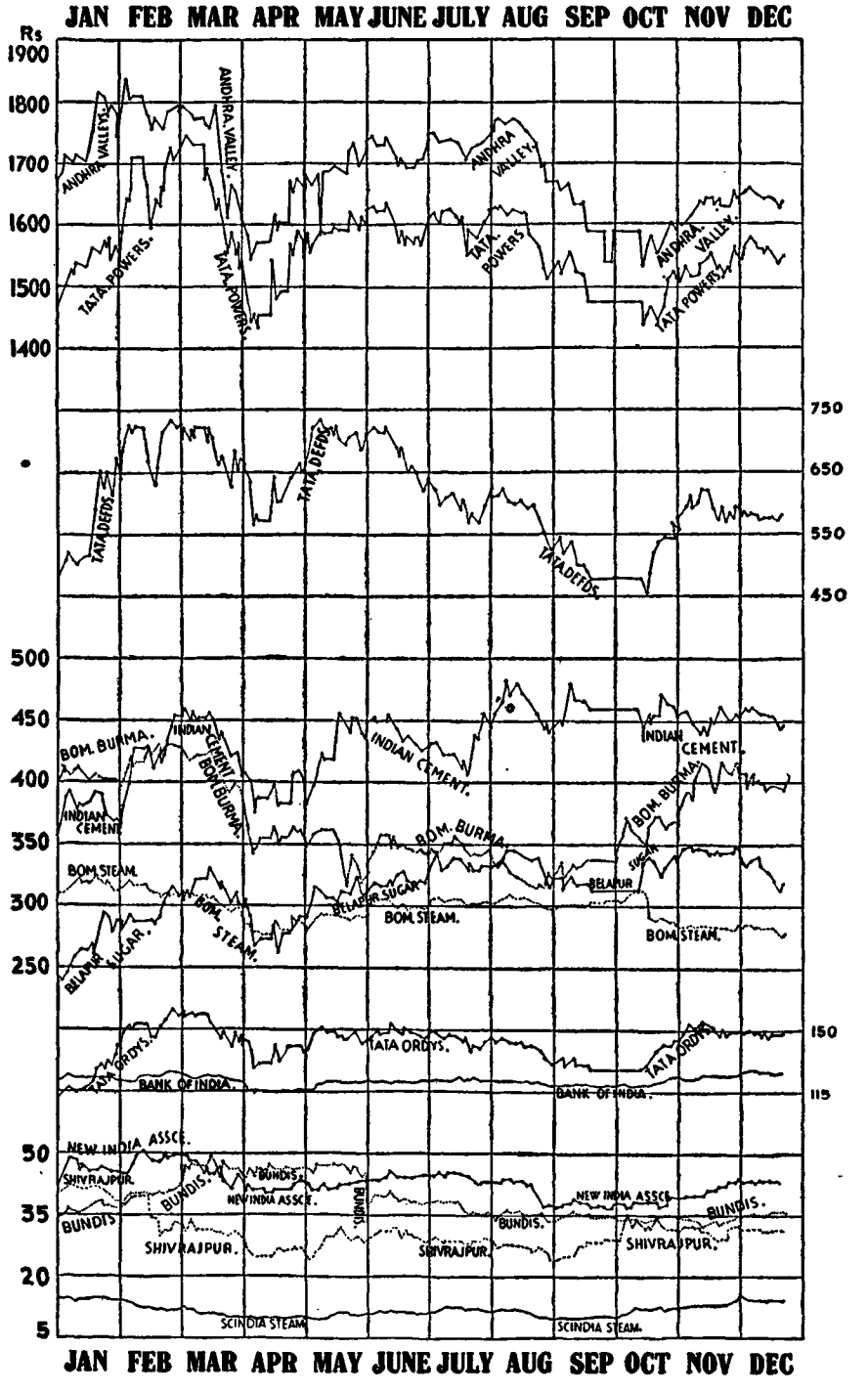
The tone of the market at the close was quite steady.

COTTON MILL SHARES.



NOTE.—The chart is based on the daily closing quotations of shares on the local stock exchange.

MISCELLANEOUS SHARES CHART—1935.



NOTE.—The chart is based on the daily closing quotations of shares on the local stock exchange.

STATISTICS.

EXCHANGE VARIATIONS IN 1935.

Highest and lowest market selling quotations of Ready T.T. on London.

Months.	Highest.	Lowest.	Average.
January 1935 ..	1s. 6-1/8d.(26-31) ..	1s. 6-1/32d. (2-19) ..	18·0775d.
February „ ..	1s. 6-1/8d. (1-28) ..	1s. 6-1/8d. (1-28). ..	18·125d.
March „ ..	1s. 6-1/8d. (1-4) ..	1s. 6-1/16d. (9-19) ..	18·087d.
April „ ..	1s. 6-3/32d.(1, 6,29-30)	1s. 6-1/16d. (8-27) ..	18·073d.
May „ ..	1s. 6-1/8d. (20-21) ..	1s. 6-3/32d. (1-17, 27-31)	18·09625.
June „ ..	1s. 6-3/32d. (1-30) ..	1s. 6-3/32d. (1-30) ..	18·09375.
July „ ..	1s. 6-3/32d. (1,2,10-17, 19-31).	1s. 6-1/16d. (3-9, 18) ..	18·08967.
August „ ..	1s. 6-3/32d. (1-31) ..	1s. 6-3/32d. (1-31) ..	18·09375.
September „ ..	1s. 6-3/32d. (1-30) ..	1s. 6-3/32d. (1-30) ..	18·09375.
October „ ..	1s. 6-3/32d. (1-31) ..	1s. 6-3/32d. (1-31) ..	18·09375.
November „ ..	1s. 6-3/32d. (1-30) ..	1s. 6-3/32d. (1-30) ..	18·09375.
December „ ..	1s. 6-3/32d. (1-31) ..	1s. 6-3/32d. (1-31) ..	18·09375.
		Average for the year ..	18·09257.

GOVERNMENT STERLING REMITTANCES 1935.

Week ending.	Sterling remittances through purchases in India by tender and on tap.						Amount remitted.	Other transfers.
	Amount of tenders.	Amount of tenders accepted.	Rate.	o/o of allotment.	Amount of purchases on tap.	Rate.		
	£	£			£		£	£
5-1-35	45,550,000	1,000,000	1/6-1/16	2.2	....	....	984,000	
12-1-35	51,510,000	1,000,000	,,	1.9	467,000	1/6-3/32	1,483,000	
19-1-35	48,300,000	1,000,000	1/6-3/32	2.0	331,000	1/6-1/8	1,331,000	
26-1-35	150,000	150,000	1/6-1/8	1.5	....	....	2,075,000	
	55,350,000	850,000	1/6-3/32		1,075,000	1/6-1/8	.....	
2-2-35	915,000	915,000	1/6-5/32		922,000	1/6-3/16	1,837,000	
9-2-35	700,000	700,000	,,		....		700,000	
16-2-35	1,745,000	1,000,000	,,	57	....		951,000	
23-2-35	1,030,000	1,000,000	,,	97	20,000	1/6-3/16	1,069,000	
2-3-35	865,000	865,000	,,		....		865,000	
9-3-35	15,000	15,000	,,		....		15,000	—2,250,000
16-3-35	220,000	220,000	1/6-1/8		....		220,000	
23-3-35	2,628,000	1,000,000	,,	38	....		989,000	
30-3-35	2,010,000	1,000,000	,,	50	....		1,011,000	
	210,988,000	10,715,000	....	....	2,815,000	....	13,530,000	—2,250,000
5-4-35	185,000	185,000	1/6-1/8		....		185,000	
12-4-35	All tenders were rejected							
19-4-35	47,500	47,500	1/6-1/8		....		47,500	
26-4-35	130,000	130,000	,,		....		130,000	
3-5-35	1,020,000	1,000,000	,,	98	....		1,000,000	
10-5-35	1,550,000	1,000,000	,,	65	....		1,000,000	
17-5-35	18,590,000	1,000,000	,,	5	240,000	1/6-5/32	1,240,000	
24-5-35	7,175,000	1,000,000	,,	14	100,000	1/6-5/32	1,100,000	
31-5-35	5,860,000	1,000,000	,,	17	....		1,000,000	
7-6-35	11,787,500	1,000,000	,,	8	....		1,000,000	
14-6-35	897,500	897,500	,,		....		897,500	
21-6-35	270,000	270,000	,,		....		270,000	
28-6-35	600,000	600,000	,,		....		600,000	
5-7-35	All tenders were rejected							
12-7-35	60,000	60,000	,,		....		60,000	
19-7-35	40,000	40,000	,,		....		40,000	
26-7-35	1,110,000	1,000,000	,,	90	....		1,000,000	
2-8-35	425,000	425,000	,,		....		425,000	
9-8-35	All tenders were rejected							
16-8-35	220,000	220,000	,,		....		220,000	
23-8-35	1,170,000	1,000,000	,,	85	....		1,000,000	
30-8-35	1,895,000	1,000,000	,,	53	....		1,000,000	
6-9-35	2,120,000	1,000,000	,,	47	....		1,000,000	
13-9-35	2,935,000	1,000,000	,,	34	....		1,000,000	
20-9-35	1,470,000	1,000,000	,,	68	....		1,000,000	
27-9-35	190,000	190,000	,,		....		190,000	
4-10-35	75,000	75,000	,,		....		75,000	
11-10-35	280,000	280,000	,,		....		280,000	
18-10-35	345,000	345,000	,,		....		345,000	
25-10-35	1,255,000	1,000,000	,,		....		1,000,000	
1-11-35	1,075,000	1,000,000	,,	93	....		1,000,000	
8-11-35	1,055,000	1,000,000	,,	95	....		1,000,000	
15-11-35	55,000	55,000	,,		....		55,000	
22-11-35	75,000	75,000	,,		....		75,000	
29-11-35	1,020,000	1,000,000	,,	98	....		1,000,000	
6-12-35	3,965,000	1,000,000	,,	25	....		1,000,000	
13-12-35	9,500,000	1,000,000	,,	11	....		1,000,000	
20-12-35	27,800,000	1,000,000	,,	4	....		1,000,000	
Total ..	106,247,500	22,895,000			340,000		23,235,000	
Grand Total ..	317,235,500	33,610,000	....	....	3,155,000	....	36,765,000	—2,250,000

Note.—From 1st April 1935 the Currency operations were made by the Reserve Bank of India.

TRADE 1935.

Imports and Exports of Merchandise and Treasure (in lacs of rupees).

Months.	Exports including re-exports.	Imports.	Balance of Trade in Merchandise only.	Treasure. —Net Imports. +Net Exports.	Remittances to Secy. of State (adverse to India).	Balance of trade excluding Government Remittances.	The Net balance of trade + in favour — against India.
January 1935	13,70·33	12,89·60	+ 80·73	+4,64	—10,16	+5,44·73	—4,71·27
February „	13,21·54	10,63·14	+2,58·40	+ 5,45	— 4,15	+8,03·40	+3,88·40
March „	15,65·82	12,40·29	+3,25·53	+4,97	— 3,72	+8,22·53	+4,50·53
April „	11,01·67	11,54·68	— 53·01	+1,22	— 53	+ 68·99	+ 15·99
May „	15,21·96	11,82·37	+3,39·59	+2,02	— 7,17	+5,41·59	—1,75·41
June „	12,81·06	9,91·60	+2,89·46	+ 89	— 3,69	+3,78·46	+ 9·46
July „	12,06·54	10,05·81	+2,00·73	+5,91	— 1,98	+7,91·73	+5,93·73
August „	12,05·64	11,19·21	+ 86·43	+7,68	— 3,55	+8,54·43	+4,99·43
September „	12,02·08	10,21·69	+1,80·39	+3,13	— 4,23	+4,93·39	+ 70·39
October „	14,49·88	11,81·18	+2,68·70	+3,11	— 2,26	+5,79·70	+3,53·70
November „	14,70·92	12,75·66	+1,95·26	+3,92	— 4,23	+5,87·26	+1,64·26
December „	13,72·00	10,60.00	+3,12·00	+3,67	—4,17	+6,79·00	+2,62·00
Total for 1935	160,69·44	135,85·23	+24,84·21	+46,61	—49,84	+71,45·21	+21,61·21

Source of information :—Accounts relating to the Sea-borne Trade and Navigation of British India.

CROPS :—SEASONS AND EXPORT VALUE.

Name of Article.	Crops sown.	Crops harvested.	Export commences.	Value of Exports from Dec. 1934 to 30th November 1935.
				In lacs. Rs.
Rice	May/June	November/December..	January.. ..	12,34·48
Jute	May/June	September/October ..	November ..	36,01·01
Cotton	May/June and October	October/November and April/May.	November ..	36,10·45
Tea	....	June/January ..	July	19,88·87
Cottonseed ..	....	October/November ..	December ..	·41
Maize	July	October/November ..	December ..	1·64
Tilseed	July and October ..	November and March.	December/January.	1·64
Rapeseed ..	August/October ..	February/March ..	April/May ..	12·19
Mustardseed ..	August/October ..	February/March ..	April/May ..	4·12
Gram	September/October ..	February/March ..	May	9·13
Lentils	October	February/March ..	Late March ..	15·34
Peas (Beans) ..	October ..	March	April/May ..	16·46
Linseed ..	October	March/April	May	1,67·53
Barley	October/November ..	March/April	May	4·69
Wheat	October/November ..	April	May	30·90
Groundnut ..	August	December	January	5,63·24

* Value includes raw and manufactured articles.

CURRENCY RETURNS FOR EACH QUARTER.

In lacs of rupees.

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1914.					
Jan.-Mar. ..	66,12	63,94	52,12	49,94	78·46
Apr.-June ..	70,26	65,46	56,26	51,46	79·34
July-Sept. ..	75,45	60,52	61,45	46,52	79·15
Oct.-Dec. ..	61,19	60,78	47,19	46,78	77·04
1915.					
Jan.-Mar. ..	61,63	59,55	47,63	45,55	76·89
Apr.-June ..	66,48	60,24	52,48	46,24	77·85
July-Sept. ..	68,06	63,81	54,06	49,81	78·74
Oct.-Dec. ..	63,59	62,06	49,59	48,06	77·71
1916.					
Jan. Mar. ..	67,73	62,42	47,73	45,51	71·68
Apr.-June ..	71,39	65,47	48,23	43,25	66·81
July-Sept. ..	75,48	71,55	52,42	48,49	68·60
Oct.-Dec. ..	82,17	73,32	50,12	41,21	58·60
1917.					
Jan.-Mar. ..	86,76	84,36	40,47	37,58	45·59
Apr.-June ..	93,29	82,72	32,11	30,64	35·72
July-Sept. ..	108,43	99,31	46,95	37,83	40·69
Oct.-Dec. ..	114,77	108,31	53,29	46,83	44·83
1918.					
Jan.-Mar. ..	104,82	99,79	43,34	38,31	39·86
Apr.-June ..	114,79	105,96	37,37	36,39	33·45
July-Sept. ..	134,38	121,41	48,39	38,75	33·96
Oct.-Dec. ..	147,09	136,43	54,77	50,44	37·10
1919.					
Jan.-Mar. ..	153,46	149,74	54,88	51,16	34·96
Apr.-June ..	162,76	153,72	64,18	55,14	37·65
July-Sept. ..	171,86	167,11	72,33	68,53	41·54
Oct.-Dec. ..	182,91	175,28	83,38	75,76	44·40
1920.					
Jan.-Mar. ..	185,15	174,52	87,66	84,94	48·00
Apr.-June ..	170,74	164,34	91,52	84,97	52·65
July-Sept. ..	163,87	157,63	94,98	94,21	58·86
Oct.-Dec. ..	161,41	159,58	93,79	83,16	55·10
1921.					
Jan.-Mar. ..	166,16	163,41	89,74	86,99	53·61
Apr.-June ..	171,76	167,32	95,42	90,91	54·94
July-Sept. ..	178,37	175,56	103,10	99,16	54·38
Oct.-Dec. ..	179,72	172,53	104,31	98,29	57·50
1922.					
Jan.-Mar. ..	174,76	173,87	103,84	99,16	58·22
Apr.-June ..	176,01	171,76	105,05	100,83	59·19
July-Sept. ..	182,26	180,41	113,99	109,41	61·59
Oct.-Dec. ..	179,63	174,18	115,42	110,91	63·96
1923.					
Jan.-Mar. ..	174,70	172,65	111,37	109,37	63·54
Apr.-June ..	173,61	171,23	110,27	107,88	63·25
July-Sept. ..	179,29	175,72	121,81	114,36	64·19
Oct.-Dec. ..	183,41	178,30	123,34	108,93	64·16
1924.					
Jan.-Mar. ..	186,19	184,02	104,50	102,32	55·86
Apr.-June ..	181,33	172,49	100,97	98,98	56·52
July-Sept. ..	179,26	176,24	107,95	104,89	54·87
Oct.-Dec. ..	180,98	179,21	108,86	103,09	58·83

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1925.					
Jan.-Mar. ..	184,19	181,12	100,00	98,60	54·36
Apr.-June ..	183,85	173,23	101,07	95,13	54·93
July-Sept. ..	189,51	179,46	112,40	101,07	57·82
Oct.-Dec. ..	191,87	189,61	112,50	105,65	57·17
1926.					
Jan.-Mar. ..	193,34	190,45	107,23	104,33	55·00
Apr.-June ..	191,44	184,91	113,24	106,47	57·82
July-Sept. ..	201,09	192,65	125,05	144,41	61·06
Oct.-Dec. ..	196,52	181,18	127,88	124,93	66·59
1927.					
Jan.-Mar. ..	184,13	180,03	126,79	124,23	68·90
Apr.-June ..	181,60	169,68	137,10	133,10	77·40
July-Sept. ..	181,81	173,69	144,71	138,23	79·88
Oct.-Dec. ..	183,37	178,57	145,34	138,28	78·53
1928.					
Jan-Mar. ..	186,28	182,65	137,32	135,12	73·32
Apr.-June ..	186,09	177,15	135,36	127,93	72·14
July-Sept. ..	184,59	178,11	136,65	130,50	73·64
Oct.-Dec. ..	189,10	183,24	136,59	131,80	72·99
1929.					
Jan.-Mar. ..	192,47	188,03	132,17	130,92	69·17
Apr.-June ..	188,98	182,82	134,86	130,62	71·45
July-Sept. ..	187,69	185,02	145,21	136,21	76·15
Oct.-Dec. ..	187,21	179,10	145,80	140,27	78·45
1930.					
Jan.-Mar. ..	181,60	177,23	143,22	138,32	77·72
Apr.-June ..	174,14	163,72	144,66	142,30	84·35
July-Sept. ..	172,36	164,71	154,03	145,60	89·15
Oct.-Dec. ..	173,06	161,34	155,37	151,73	92·27
1931.					
Jan.-Mar. ..	160,99	156,53	151,59	145,29	92·95
Apr.-June ..	160,25	152,53	152,94	146,57	95·58
July-Sept. ..	156,51	146,22	149,34	136,74	94·74
Oct.-Dec. ..	179,30	153,93	136,15	126,55	81·47
1932.					
Jan.-Mar. ..	182,31	177,64	125,98	115,71	66·16
Apr.-June ..	174,62	167,83	122,66	115,54	70·41
July-Sept. ..	175,77	171,66	126,62	123,46	71·90
Oct.-Dec. ..	175,91	174,75	130,18	124,29	72·15
1933.					
Jan.-Mar. ..	176,89	174,15	137,85	134,83	77·67
Apr.-June ..	176,66	175,46	137,84	131,67	76·94
July-Sept. ..	179,76	176,97	134,72	132,90	74·87
Oct.-Dec. ..	180,04	177,88	134,29	131,73	74·30
1934.					
Jan.-Mar. ..	178,38	176,58	139,51	131,61	76·90
Apr.-June ..	180,87	176,75	139,37	137,24	77·40
July-Sept. ..	185,06	181,58	140,94	139,43	76·25
Oct.-Dec. ..	185,63	183,91	139,36	136,62	74·65
1935.					
Jan.-Mar. ..	186,10	182,85	137,19	131,66	72·63
Apr.-June ..	188,01	185,50	96,32	93,82	50·78
July-Sept. ..	194,12	188,82	102,43	97,14	52·16
Oct.-Dec. ..	194,96	193,27	103,24	101,54	52·81

PRICE OF GOLD.

Months.	PRICE IN LONDON PER FINE OUNCE.		
	Highest.	Lowest.	Average.
1935.	s. d.	s. d.	s. d.
January	142 4 (15)	140 10½ (2)	141 9·5577
February	144 1 (28)	141 10½ (6)	142 8·7916
March	149 4 (6)	143 8 (29)	146 8·6154
April	145 8½ (1)	143 4 (16, 17)	144 2·8500
May	145 0 (1)	141 0 (27)	142 7·1153
June	142 0 (1, 3)	140 7 (6)	141 3·0000
July	141 7 (2)	140 5 (23)	140 10·1852
August	140 11 (3)	139 9½ (27)	140 3·0577
September	141 6½ (27, 30)	140 3 (2, 3)	140 11·6200
October	142 2 (5)	141 3½ (18, 24)	141 7·7037
November	141 7 (1)	140 11 (23, 26, 28)	141 3·4615
December	141 3 (18, 30)	140 11 (28)	141 0·9791
		Average for the year ..	142 1·2384

Months.	(READY) PRICE IN BOMBAY PER TOLA.		
	Highest.	Lowest.	Average.
1935.	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	35 6 0 (15)	34 11 3 (28)	35 0 5½
February	35 10 0 (28)	34 15 3 (4)	35 5 3
March	36 13 3 (7)	35 10 0 (29)	36 0 11
April	36 12 0 (27)	35 10 0 (16)	35 14 4
May	36 0 6 (1)	34 13 0 (25)	35 6 7½
June	35 6 0 (1–3)	34 14 0 (25)	35 0 11
July	35 0 0 (1–3)	34 10 0 (9)	34 12 7
August	34 12 3 (1)	34 7 6 (21)	34 9 11
September	35 1 3 (6)	34 11 3 (3, 4)	34 14 8
October	35 7 0 (5)	31 3 6 (21)	35 0 6
November	35 0 6 (1)	34 13 0 (23, 25)	34 14 9
December	34 15 3 (11)	34 13 0 (21, 23, 24, 30)	34 14 1
		Average for the year ..	35 2 5

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF GOLD—1935.

Months.	Monthly import value of bar gold and coin into British India.	Monthly Export of bar gold and coin from British India.		Monthly estimated off-take in Bombay.	Estimated stock at the end of each month in Bombay.
		Value.	Ozs.		
1935	Rs.	Rs.		Tolas.	Tolas.
January ..	5,68,550	4,41,59,954	472,984	90,000	5,00,000
February ..	3,79,122	4,78,22,132	511,214	75,000	3,00,000
March ..	8,28,833	5,15,38,758	535,693	75,000	3,00,000
April ..	4,18,044	1,04,27,598	109,445	75,000	2,00,000
May ..	17,59,896	1,94,62,973	207,411	90,000	7,00,000
June ..	8,58,188	1,10,61,356	118,525	90,000	5,50,000
July ..	11,17,191	6,04,25,831	651,637	75,000	4,00,000
August ..	5,57,412	6,76,96,385	733,642	75,000	2,00,000
September ..	14,64,592	3,17,91,304	341,586	60,000	1,00,000
October ..	6,93,973	3,04,63,273	326,397	45,000	1,00,000
November ..	8,78,938	3,96,15,972	425,285	45,000	75,000
December ..	3,61,931	2,77,62,339	2,98,366	45,000	1,00,000
Total ..	98,86,670	44,22,18,875	4,732,185	8,40,000	....

PRICE OF BAR SILVER.

Months.	PRICE IN LONDON PER STANDARD OUNCE (Ready).		
	Highest.	Lowest.	Average.
1935.	d.	d.	d.
January	24—3/4 (28, 29)	24—5/16 (8)	24·5841
February	25–11/16 (28)	24—5/16 (1, 2, 6)	24·8177
March	28—7/8 (26)	26—1/16 (1)	27·3798
April	36—1/4 (26)	28—1/4 (2)	30·9864
May	35—3/8 (16)	32—3/8 (2)	33·8654
June	33—3/4 (1)	31 (26, 28)	32·3463
July	31–5/16 (11)	30—3/16 (15 to 26, 29 ,, 31)	30·5000
August	30–3/16 (1 to 10)	29—(15, 16, 19 to 22, 26 to 31)	29·4759
September	29–9/16 (13)	29 (2)	29·2550
October	29—5/8 (5)	29—5/16 (17 to 31)	29·3681
November	29—1/2 (4)	29—3/16 (23 to 30)	29·2836
December	29—1/4 (2, 3)	20—7/8 (24)	25·5625
	Average for the year		28·9985

Months.	READY PRICE IN BOMBAY PER 100 TOLAS.		
	Highest.	Lowest.	Average.
1935.	Rs. a.	Rs. a.	Rs. a. p.
January	66 5 (2)	61 10 (31)	64 7 4½
February	63 6 (27)	60 10 (6)	62 0 11½
March	69 0 (26)	62 15 (1)	65 10 1
April	87 0 (27)	67 10 (2)	73 2 7
May	83 12 (16)	76 13 (9)	80 6 8
June	80 2 (3)	71 14 (25)	76 14 10
July	74 9 (1)	69 8 (6)	71 12 8
August	71 4 (2)	64 5 (28)	67 6 9½
September	67 11 (24)	65 10 (3)	66 10 3
October	69 8 (4, 5)	66 0 (21, 30)	67 9 5
November	67 3 (4)	64 8 (23)	65 14 2
December	65 3 (3)	48 0 (19)	56 10 8
	Average for the year		68 3 6

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF SILVER—1935.

Months.	Monthly imports of silver bullion (bar and other kinds of uncoined silver) into British India.	Monthly exports of silver bullion (on Government and private account).	Monthly estimated off-take in Bombay.*	Monthly estimated stock of silver at the end of each month.
1935.	(Standard	Ounces.)	(In bars of	2,800 tolas.)
January ..	434,275	4,143,116	300	23,000
February ..	5,646	8,440,297	600	23,000
March ..	3,807,695	8,153,806	600	25,000
April ..	364,947	75,230	200	32,000
May ..	270,791	2,141,540	300	32,000
June ..	998,712	350,208	200	35,000
July ..	772,651	175,026	150	37,000
August ..	129,884	6,252,278	300	35,000
September ..	122,173	513,172	350	35,000
October ..	14,496	709,902	300	33,000
November ..	11,758	352,868	400	27,000
December ..	8,670	34,122,049	6,000	17,000
Total ..	6,941,698	65,429,492	9,700	....

* The above off-take are exclusive of shipments on private account to London and U. S. A.

GOVERNMENT SECURITIES.

RUPEES.

(Thousands of Rupees.)

Security.	When Issued.	Amount outstanding as at 30th Sept. 1935.	When Repayable.	Dates when interest is due.
		Rs.		
3 per cent. Loan	1896	3,16,24,	At the option of Government after three months' notice.	June 30, Dec. 31.
3½ per cent. Loan	1843	23,80,56,		Feb. 1, Aug. 1.
Do.	1854	21,57,55,		June 30, Dec. 31.
Do.	1865	37,43,82,		May 1, Nov. 1.
Do.	1879	2,80,44,		Jan. 16, July 16.
Do.	1900	36,40,00,		June 30, Dec. 31.
3½ per cent. Bonds	1933	55,94,37,	After 15th Nov. 1947, at 3 months' notice but not later than 15th Nov. 1950.	May 15, Nov. 15.
3 per cent. Bonds	1934	10,67,32,	On Sept. 15, 1941.. ..	March 15, Sept. 15.
3 per cent. Loan	1935	15,12,85,	On or before 15th Sept. 1954, but not preceding 15th Sept. 1951, with three months' previous notice.	March 15, Sept. 15.
4 per cent. Loan	1926	63,30,26,	On or before 15th Sept. 1970 but not preceding 15th Sept. 1960 at three months' notice.	March 15, Sept. 15.
4 per cent Bonds	1933	14,97,18,	1st August 1943.	Feb. 1, Aug. 1.
4½ per cent. Loan	1928	9,05,70,	On or before Sept. 15, 1960, but not preceding 15th Sept. 1955, with 3 months' previous notice	March 15, Sept. 15.
5 per cent. Income-tax free Loan *	1919	56,74,94,	After Oct. 15, 1945, at three months' notice and not later than Oct. 15, 1955.	April 15, Oct. 15.
Do. ..	1923			
Do. ..	1924			
5 per cent. Loan	1929	27,78,12,	After July 15, 1939, at three months' notice and not later than July 15, 1944.	Jan. 15, July 15.
6½ per cent. Bombay Development Loan *	1920	†9,38,93,	Nov. 1, 1935	May 1, Nov. 1.
5½ per cent. Bonds	1932	19,13,90,	On or before 1st October 1940 but not preceding 1st Oct. 1938 with three months' previous notice.	April 1, Oct. 1.
5 per cent. Bonds	1932	25,18,48,	On or before 1st October 1943 but not preceding 1st October 1940 with three months' previous notice.	April 1, Oct. 1.
		4,32,50,66,		
Post Office Cash Certificates ..	..	66,44,39,		
,, ,, Savings Bank Deposits	..	64,36,19,		
Treasury Bills	..	40,98,25,		
Prov. Funds & other unfunded debt	..	90,81,25,		
Total Rs. ..	..	6,95,10,74,		

The interest on Loans marked * is exempt from Income-tax, but not from Super-tax. It will be taken into account in determining the rate at which Income-tax will be levied on other income.

† This loan has since been repaid on Novr. 1st 1935.

GOVERNMENT SECURITIES.

STERLING.

Description.	When issued.	Total sum raised.	Amount outstanding as on 30th Sept. 1935.	Date of termination of Loan.	When Int. due.
		£	£		
India 4½ per cent.	1922–23 ..	40,000,000	39,852,418	If not previously redeemed, will be repaid at par on 15th May 1955 with right to redeem at par on, or on any half yearly int. date after 15th May 1950 at 3 months' notice.	May 15. November 15.
India 4½ per cent. Stock.	1928 ..	17,500,000	17,500,000	If not previously redeemed, will be paid at par on 1st June 1968 with right to redeem at par on, or on any half yearly int. date after 1st June 1958 on giving 3 months' notice.	December 1. June 1.
India 3½ per cent. Stock.	Between 1887 & 1912.	88,767,884	88,667,884	Not redeemable until 5th January 1931, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 3 per cent. Stock.	Between 1894 & 1921-24.	77,065,347	77,024,185	Not redeemable until 5th October 1948, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 2½ per cent. Stock.	1896-98 ..	11,539,986	11,539,986	Redeemable at any time at Government's option with one year's previous notice.	January 5. April 5. July 5. October 5.
India 5½ per cent. Stock "A".	1931 ..	17,181,249	16,858,059	On 15th July 1936 or on any half yearly interest date thereafter at 3 months' notice but not later than 15th July 1938.	January 15. July 15.
5 per cent. Stock ..	1932 ..	10,000,000	9,738,285	If not redeemed on 15th June 1942, will be repaid at par after 3 months' notice but not later than 15th June 1947.	June 15. December 15.
4 per cent. Stock ..	May 11, 1933	12,000,000	12,000,000	If not redeemed on 15th December 1948, will be repaid at par after 3 months' notice but not later than 15th December 1953.	June 15. Dec. 15.
India 3½ per cent. Stock.	Nov. 9, 1933	10,000,000	10,000,000	If not redeemed on 15th December 1954, will be repaid at par after 3 months' notice but not later than 15th December 1959.	June 15. December 15.
India 3 per cent. Stock	July 10, 1935	10,000,000	10,000,000	If not redeemed on Aug. 1, 1949, will be repaid at par after 3 months' notice but not later than Aug. 1, 1952.	August 1. February 1.
		Total Debt in England	293,180,817	@ 1s. 6d=Rs. 390·91 crores.	

TREASURY BILLS OUTSTANDING ON 31ST DECEMBER 1935.

Approximate due date.	Amount Issued.	Average Rate.	Tenure.	Date of Issuance.
		Rs. a. p.		
January 2, 1936	Rs. 2,08,00,000	99 13 3	3 months	October 2, 1935.
January 3, 1936	,, 2,00,00,000	0 11 8	3 ,,	October 3, 1935.
January 9, 1936	,, 2,00,75,000	99 13 0	3 ,,	October 9, 1935.
January 10, 1936	,, 1,78,50,000	0 12 6	3 ,,	October 10, 1935.
January 18, 1936	,, 2,00,00,000	0 15 9	3 ,,	October 18, 1935.
January 25, 1936	,, 2,00,00,000	1 2 3	3 ,,	October 25, 1935.
Total ..	Rs. 11,87,25,000			
		Rs. a. p.		
February 1, 1936	Rs. 2,00,00,000	1 0 0	3 months.	November 1, 1935.
February 7, 1936	,, 2,00,00,000	0 15 3	3 ,,	November 7, 1935.
February 15, 1936	,, 2,00,00,000	0 15 0	3 ,,	November 15, 1935.
February 22, 1936	,, 2,00,00,000	1 0 1	3 ,,	November 22, 1935.
February 29, 1936	,, 2,00,00,000	1 1 8	3 ,,	November 29, 1935.
Total ..	Rs. 10,00,00,000			
		Rs. a. p.		
March 6, 1936	Rs. 2,00,00,000	1 0 9	3 months.	December 6, 1935.
March 13, 1936	,, 2,00,00,000	1 0 6	3 ,,	December 13, 1935.
March 20, 1936	,, 2,00,00,000	1 0 9	3 ,,	December 20, 1935.
Total ..	Rs. 6,00,00,000			
Grand Total ..	Rs. 27,87,25,000			

STATEMENT OF LOANS RAISED BY THE BOMBAY MUNICIPALITY.

Date of Issue.	Rate of Interest.	Amount outstanding on 31st March 1935.	Dates on which half-yearly payments of Interest are due.	When payable.
		Rs.		
1863 ..	4 per cent.	14,46,174	1st of each month.	By monthly equated payments.
Between 5th January 1886 and 24th December 1891 ..	5 per cent.	92,08,500	1st April, 1st October.	Between 1st January 1943 and 1st January 1953.
1894-95 ..	4 per cent.	†23,25,000	1st January, 1st July.	1st July 1935.
1896-99 ..	3½ per cent.	10,00,000	,, ,,	1st July 1936.
	4 per cent.	5,75,000		
1899 ..	,,	25,00,000	1st May, 1st November.	1st November 1939.
1899-1900 ..	,,	19,25,000	1st June, 1st December.	1st June 1940.
1901-03 ..	,,	24,75,000	,, ,,	1st June 1943.
1905-07 ..	,,	24,75,000	1st February, 1st August.	1st August 1946.
1908 ..	,,	13,50,000	1st May, 1st November.	1st May 1938.
1909 ..	,,	15,00,000	,, ,,	1st May 1949.
1909-10 ..	,,	30,00,000	,, ,,	1st May 1949.
1911-13 ..	,,	55,00,000	1st June, 1st December.	1st June 1942.
1913-14 ..	,,	70,00,000	,, ,,	1st June 1954 and 1st June 1974.
1913-15 ..	,,	20,00,000	1st May, 1st November.	1st May 1955.
1915 ..	,,	43,00,000	,, ,,	1st May 1945.
1920 ..	5 per cent.	10,00,000	1st January, 1st July.	1st July 1980.
1920 ..	4 per cent.	30,00,000	,, ,,	1st January 1951.
1920 ..	6½ per cent.	‡50,00,000	1st May, 1st November.	1st Nov. 1935-1950.
1921 ..	,,	‡75,00,000	,, ,,	1st Nov. 1936-1951.
1922 ..	5½ per cent.	*37,65,943	31st March (yearly).	By annual equated payments.
1922 ..	4¾ per cent.	*18,38,951	,, ,,	,, ,,
1922-23 ..	5½ per cent.	*88,54,968	,, ,,	,, ,,
1922-23 ..	5¼ per cent.	*19,60,508	,, ,,	,, ,,
1923-24 ..	5¼ per cent.	*1,84,12,502	,, ,,	,, ,,
1924 ..	5¼ per cent.	*50,81,541	,, ,,	,, ,,
1924-25 ..	5 per cent.	*1,22,07,938	,, ,,	,, ,,
1924-25 ..	5½ per cent.	*42,23,014	,, ,,	,, ,,
1924 ..	6 per cent.	67,77,000	1st June, 1st December.	1st December 1954.
1924-25 ..	,,	92,23,000	,, ,,	,, ,,
1926 ..	5½ per cent.	* 33,78,418	31st March (yearly).	By annual equated payments.
1926-27 ..	5 per cent.	*59,93,905	,, ,,	,, ,,
1928 ..	,,	*35,09,802	,, ,,	,, ,,
1928 ..	,,	25,00,000	1st January, 1st July.	1st January 1958.
1929 ..	,,	26,21,500	1st August, 1st February.	1st August 1959.
1929 ..	,,	26,14,000	,, ,,	1st ,, 1949-59.
1929 ..	,,	8,45,500	,, ,,	1st ,, 1954-59.
1930 ..	6 per cent.	40,00,000	1st June, 1st December.	1st Sept. 1950-60.
Total ..		16,28,88,164		

* Repaid in yearly instalments of Interest & Principal.

† This loan has been repaid on 1st July.

‡ These loans were borrowed from Govt. out of the Bom. Dev. Loan. Rs. 42,33,000, representing Sinking Fund accumulations in respect of these loans were repaid to Govt. on 1st Nov. 1935, and the balance of Rs. 82,67,000 was converted into a new loan from Govt. The question of the terms of conversion is under correspondence.

STATEMENT OF LOANS RAISED BY THE BOMBAY IMPROVEMENT TRUST (NOW AMALGAMATED WITH THE BOMBAY MUNICIPALITY)

Nature of Loans.	When issued.	Rate of interest.	Amount raised.	Amount outstanding on 31st Mar. 1935.	Due dates of interest.	When redeemable.
FROM GOVERNMENT.						
Rs. 275 lacs Deb. Loan ..	1920	6½%	‡275,00,000	‡2,75,00,000	May 1, Nov. 1.	November 1, 1935.
Rs. 95 „ „ „ ..	1920	6½%	‡95,00,000	‡95,00,000	Do.	November 1, 1935.
Rs. 45 „ Loan ..	1922	4½%	*45,00,000	31,52,075	March 31, (Y).	Feb. 20, 1982.
	1922	4½%		13,47,925	March 31 and September 30.	
Rs. 172 „ „ ..	1922-23	5½%	*172,00,000	1,20,47,925	March 31, (Y).	Oct. 2, 1982 to March 14, 1983.
		4½%		51,52,075	March 31 and September 30.	
Rs. 89 „ „ ..	1923-24	5½%	*89,00,000	64,00,000	March 31, (Y).	Nov. 2, 1983 to March 5, 1984.
		4½%		25,00,000	March 31 and September 30.	
Rs. 100 „ „ ..	1924-25	5%	*100,00,000	80,00,000	March 31, (Y).	Nov. 1, 1984 to Jan. 2, 1985.
		4½%		20,00,000	March 31 and September 30.	
Rs. 70 „ „ ..	1925	5½%	*70,00,000	65,50,000	March 31, (Y).	Oct. 2, 1985 to January 2, 1986.
		4½%		4,50,000	March 31 and September 30.	
Rs. 35 „ „ ..	1932	6%	†35,00,000	34,63,572	March 31, (Y).	March 31, 1982.
Rs. 8 „ „ ..	1932	5½%	†8,00,000	7,93,323	Do.	March 31, 1983.
Rupee Coupon Debenture Loan.	1899	4%	50,00,000	50,00,000	May 1, Nov. 1.	Nov. 1, 1959.
Debenture Loan	1901	„	30,00,000	30,00,000	Jan. 1, July 1.	Sept. 6, 1961.
„ „	1902	„	30,00,000	30,00,000	Do.	July 15, 1962.
„ „	1903	„	60,00,000	60,00,000	Do.	Aug. 20, 1963.
„ „	1904	„	50,00,000	50,00,000	Do.	Sept. 7, 1964.
„ „	1905	„	30,00,000	30,00,000	Do.	Sept. 12, 1965.
„ „	1906	„	20,00,000	20,00,000	Do.	Oct. 2, 1966.
„ „	1907	„	15,00,000	15,00,000	Do.	Sept. 24, 1967
„ „	1908	„	30,00,000	30,00,000	Do.	Sept. 8, 1968.
Sterling Coupon Deb. Loan	1909	„	£5,66,600 at 1s. 6d.	75,54,666	Do.	July 1, 1969.
„ „ „ „	1910	„	£3,33,000 at 1s. 6d.	44,40,000	Do.	July 1, 1970.
Debenture Loan	1912	„	25,00,000	25,00,000	Do.	Aug. 28, 1972.
„ „	1913	„	18,00,000	18,00,000	Do.	Aug. 26, 1973.
„ „	1914	„	50,00,000	50,00,000	Do.	Aug. 4, 1974.
„ „	1916	„	25,00,000	25,00,000	Do.	Jan. 3, 1976.
„ „	1919	5%	40,00,000	40,00,000	May 1, Nov. 1.	Nov. 1, 1957-79.
„ „	1920	6%	70,00,000	70,00,000	Do.	April 1, 1935-80.
„ „	1926	5%	25,00,000	25,00,000	Jan. 1, July 1.	Sept. 16, 1956-86.
„ „ (43 years)	1927	4%	25,00,000	25,00,000	Do.	April 4, 1961 to Oct. 4, 1970.
„ „ (60 „)	1928	4½%	20,00,000	20,00,000	Do.	Nov. 1, 1938.
„ „ (60 „)	1929	5½%	25,00,000	25,00,000	Do.	Nov. 1, 1944.
„ „ (6 „)	1930	6%	20,00,000	20,00,000	Do.	Nov. 1, 1936.
„ „ (6 „)	1931	6½%	30,00,000	30,00,000	Do.	Nov. 1, 1937.
„ „ (10 „)	1933	5%	10,00,000	10,00,000	March 31 and September 30.	March 31, 1943.
			Total Rs. ..	17,06,51,561		

* Debentures issued to Government are repurchased every year according to agreement and bear interest at 4%.

† Repaid in annual equated instalments of Principal and Interest.

‡ These loans, which were borrowed from Government out of the Bombay Deb. Loan of 1920, have been converted on 1st Nov. 1935.

STATEMENT OF LOANS RAISED BY THE BOMBAY PORT TRUST TO THE END OF DECEMBER 1935.

Description of Loan.	Amount raised.	Rate of Interest.	Dates on which half-yearly payments of interest are due.	When redeemable.
	Rs.			
Foreshore Securities (Guaranteed) ..	75,42,800	4%	1st April, 1st Oct.	After expiration of three months' notice to be given by the Trustees.
Debenture Loans (Unguaranteed).				
1904 (60 yrs.) ..	36,50,000	4%	1st Jan., 1st July.	1st Nov. 1964.
1905 „ ..	35,00,000	„	1st Feb., 1st Aug.	1st Nov. 1965.
1906 „ ..	15,00,000	„	1st March, 1st Sept.	1st Feb. 1967.
1906 (30 yrs.) ..	6,00,000	„	„ „	1st Feb. 1937.
1907 (60 yrs.) ..	44,00,000	„	1st May, 1st Nov.	1st Feb. 1968.
1908 „ ..	75,00,000	„	1st March, 1st Sept.	1st Feb. 1969.
1909 „ ..	40,00,000	„	1st Jan., 1st July.	1st Jan. 1970.
1910 „ ..	56,00,000	„	1st April, 1st Oct.	1st Jan. 1971.
1911 „ ..	75,00,000	„	1st June, 1st Dec.	1st Jan. 1972.
1912 „ ..	1,10,00,000	„	1st Feb., 1st Aug.	1st Feb. 1973.
1913 (47 yrs.) ..	14,35,876	„	1st April, 1st Oct.	31st March 1960.
1913 (60 yrs.) ..	80,00,000	„	1st Jan., 1st July.	1st Jan. 1974.
1914 („) ..	88,25,000	„	1st April, 1st Oct.	1st Jan. 1975.
1914 (30 yrs.) ..	38,75,000	„	1st May, 1st Nov.	1st Nov. 1944.
1915 (45 „) ..	10,00,000	„	1st April, 1st Oct.	31st March 1960.
1915 (60 „) ..	55,00,000	„	1st June, 1st Dec.	5th Oct. 1975.
1916 (20 „) ..	25,00,000	4½%	1st May, 1st Nov.	1st Nov. 1936.
1922 (37⅓ „) ..	61,61,000	4%	1st June, 1st Dec.	31st March 1960.
1924 (35½ „) ..	11,51,000	„	1st April, 1st Oct.	31st March 1960.
1926 (35 5/12 „) ..	10,25,000	3½%	1st May, 1st Nov.	31st March 1960.
1929 (30 „) ..	35,00,000	„	1st Feb., 1st Aug.	1st Aug. 1959.
1930 (20 „) ..	38,50,000	4%	1st Jan., 1st July.	1st Jan. 1950.
1930 (30 „) ..	12,50,000	3½%	1st May, 1st Nov.	1st Nov. 1960.
1931 („) ..	12,50,000	„	„ „	1st Nov. 1961.
1932 („) ..	13,50,000	„	1st March, 1st Sept.	1st Sept. 1962.
1935 (40 yrs.) ..	24,58,000	3¾%	30th March, 30th Sept.	30th March 1975.
Loans in England.				
1909 (30 yrs.) ..	66,66,666* (£500,000)	4%	1st Jan., 1st July.	1st July 1939.
1910 („) ..	66,66,666* (£500,000)	„	„ „	1st July 1940.
1922 („) ..	2,13,33,333* (£1,600,000)	6%	1st Feb., 1st Aug.	1st Aug. 1952.
Grand Total ..	14,45,90,341			

* Exchange calculated at 1*s.* 6*d.* to the rupee.

PRICES OF GOVERNMENT SECURITIES—1935.

—		3 per cent. Bonds 1941.	3 per cent. Loan. 1951-54.	3½ per cent. Govt. Paper.	3½ per cent. Loan. 1947-50.	4 per cent. Loans.		4½ per cent. Loan. 1955-60.	5 per cent. Loans.				5½ per cent. Loan. 1938-40.	6½ per cent. Bombay Development Loan. 1935.	6½ per cent. Treasury Bonds. 1935.
						1943.	1960-70.		1935.	1939-44.	1940-43.	1945-55.			
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Jan.	Highest	101 4 0	..	98 13 0	102 13 0	106 2 0	111 2 0	117 4 0	101 7 0	108 5 0	109 7 0	119 8 0	109 0 0	103 8 0	102 12 0
	Lowest	100 15 0	..	97 6 0	102 1 0	105 15 0	110 2 0	117 0 0	101 1 0	107 15 0	108 15 0	117 10 0	108 7 0	102 10 0	102 0 0
	Average	101 1 3	..	98 2 6	102 5 3	106 0 3	110 9 9	117 1 5	101 4 6	108 1 5	109 1 1	119 0 0	108 11 4	103 4 0	102 6 9
Feb.	Highest	101 1 0	..	98 6 0	102 4 0	106 2 0	110 5 0	117 4 0	101 1 0	108 2 0	109 4 0	117 9 0	108 10 0	102 8 0	102 0 0
	Lowest	100 14 0	..	96 10 6	101 14 0	105 14 0	109 10 0	116 8 0	100 14 0	107 12 0	109 0 0	116 5 0	108 5 0	101 14 0	101 12 0
	Average	100 15 3	..	97 8 0	102 0 6	106 0 2	109 14 6	117 0 0	100 15 8	107 13 11	109 2 1	116 15 7	108 7 9	102 1 3	101 15 7
March	Highest	100 15 0	..	97 2 0	102 3 0	106 3 0	109 10 0	116 8 0	100 14 0	108 4 0	109 5 0	117 4 0	108 10 0	101 15 0	101 14 0
	Lowest	100 0 0	..	88 15 0	101 8 0	105 0 0	103 0 0	110 4 0	100 10 0	107 6 0	108 8 0	114 12 0	107 12 0	101 11 0	101 10 0
	Average	100 10 6	..	94 7 0	101 12 5	105 11 6	107 7 0	114 6 3	100 12 5	108 1 7	109 1 10	115 13 3	108 3 3	101 12 9	101 12 6
April.	Highest	100 10 0	..	94 0 0	101 14 0	105 14 0	106 14 0	111 14 0	100 10 0	107 14 0	109 4 0	117 0 0	108 3 0	101 11 0	101 10 0
	Lowest	100 0 0	..	88 15 0	100 9 0	104 12 0	103 0 0	110 0 0	100 8 0	107 0 0	108 4 0	114 12 0	107 4 0	101 9 0	101 8 0
	Average	100 5 7	..	91 10 8	101 0 10	105 0 10	104 11 0	110 7 4	100 9 3	107 6 0	108 10 0	115 9 0	107 11 10	101 10 4	101 9 3
May.	Highest	101 0 0	..	95 6 0	102 9 0	106 12 0	107 9 0	112 14 0	100 10 0	108 8 0	109 13 0	117 10 0	108 7 0	101 14 0	101 9 0
	Lowest	100 11 0	..	92 8 0	101 13 0	105 14 0	106 2 0	111 0 0	100 9 0	107 14 0	109 4 0	116 4 0	108 0 0	101 11 0	101 7 0
	Average	100 12 4	..	93 14 9	102 2 3	106 3 3	106 12 11	111 14 2	100 9 6	108 3 4	109 8 3	116 14 11	108 3 4	101 12 6	101 8 0
June.	Highest	101 5 0	..	95 4 0	102 9 0	106 15 0	107 9 0	113 8 0	100 10 0	108 12 0	109 14 0	117 10 0	108 7 0	101 11 0	101 7 0
	Lowest	101 0 0	..	94 2 0	102 5 0	106 9 0	106 8 0	113 0 0	100 6 0	108 5 0	109 12 0	117 6 0	108 4 0	101 6 0	100 14 0
	Average	101 3 9	..	94 4 6	102 7 8	106 12 11	106 14 1	113 5 9	100 7 3	108 8 8	109 13 1	117 8 6	108 5 6	101 8 1	101 2 0
July.	Highest	101 7 0	..	95 9 0	103 3 0	106 14 0	107 4 0	114 0 0	100 15 0	108 9 0	109 13 0	118 3 0	108 7 0	101 6 0	101 2 0
	Lowest	101 2 0	..	94 11 6	102 9 0	106 8 0	106 11 0	113 8 0	100 4 0	108 5 0	109 11 0	117 9 0	108 5 0	101 2 0	100 7 0
	Average	101 4 6	..	95 1 7	102 9 9	106 9 4	106 15 11	113 8 10	100 5 3	108 6 11	109 12 6	117 12 11	108 5 11	101 3 8	100 11 5
Aug.	Highest	101 10 0	97 8 0	95 3 6	103 14 0	107 4 0	107 9 0	114 6 0	100 15 0	108 10 0	109 13 0	118 3 0	108 10 0	101 2 0	101 0 0
	Lowest	100 15 0	96 6 0	88 7 0	102 12 0	106 11 0	104 10 0	113 10 0	100 0 0	107 12 0	108 15 0	116 0 0	108 2 0	100 15 0	100 1 0
	Average	101 5 8	97 0 9	90 3 3	103 5 3	106 15 1	106 4 4	114 0 6	100 3 9	108 4 2	109 7 4	117 5 3	108 7 9	101 0 10	100 5 9
Sept.	Highest	102 2 0	97 9 0	91 13 0	103 4 0	107 5 0	106 2 0	114 2 0	100 0 0	108 6 0	109 8 0	116 6 0	108 7 0	100 14 0	100 1 0
	Lowest	101 4 0	96 14 0	88 3 0	102 9 0	106 12 0	104 13 0	113 8 0	100 0 0	107 14 0	109 0 0	115 14 0	108 2 0	100 7 0	100 0 0
	Average	101 12 10	97 2 2	89 6 8	103 0 0	107 2 3	105 6 0	113 13 0	100 0 0	108 2 0	109 5 3	116 0 7	108 4 11	100 10 3	100 0 2
Oct.	Highest	102 10 0	97 14 0	93 8 0	103 10 0	107 7 0	108 2 0	113 8 0	..	108 12 0	109 15 0	118 2 0	108 12 0	100 7 0	..
	Lowest	102 0 0	96 14 0	87 3 0	102 5 0	106 14 0	105 0 0	113 0 0	..	108 6 0	109 8 0	116 2 0	108 8 0	100 0 0	..
	Average	102 2 0	97 2 6	90 4 0	102 13 6	107 1 0	106 3 6	113 3 10	..	108 9 2	109 9 5	116 11 6	108 9 9	100 2 9	..
Nov.	Highest	103 4 0	100 9 0	96 10 0	105 2 0	108 4 0	111 0 0	115 4 0	..	109 8 0	110 11 0	119 10 0	109 0 0	..	..
	Lowest	102 12 0	98 1 0	93 8 0	103 12 0	107 8 0	108 4 0	113 8 0	..	108 14 0	110 0 0	118 6 0	108 4 0	..	..
	Average	102 15 9	99 8 11	95 0 10	104 7 3	107 14 5	109 12 3	114 10 8	..	109 4 1	110 7 0	118 15 5	108 13 3	..	..
Dec.	Highest	103 13 0	101 14 0	96 15 0	105 14 0	108 12 0	111 2 0	116 4 0	..	109 7 0	110 15 0	119 8 0	108 13 0	..	..
	Lowest	103 4 0	100 8 0	95 8 0	105 1 0	108 4 0	110 1 0	115 6 0	..	109 4 0	110 10 0	118 15 0	108 12 0	..	..
	Average	103 9 11	101 8 7	96 5 4	105 9 4	108 9 0	110 9 6	116 0 0	..	109 6 1	110 13 8	119 5 3	108 12 2	..	..
Highest of the year		103 13 0	101 14 0	98 13 0	105 14 0	108 12 0	111 2 0	117 4 0	101 7 0	109 8 0	110 11 0	119 10 0	109 0 0	103 8 0	102 12 0
Lowest „		100 0 0	96 6 0	87 3 0	100 9 0	104 12 0	103 0 0	110 0 0	100 0 0	107 0 0	108 4 0	114 12 0	107 4 0	100 0 0	100 0 0
Average „		101 8 3	98 7 9	93 13 9	102 12 10	106 10 8	107 10 1	114 2 0	100 9 3	108 4 9	109 8 9	117 5 4	108 6 9	101 8 3	101 4 4

BANK RATE CHANGES.

BANK OF BOMBAY.

		Per cent.
1902.		
January	9	6
Do.	16	7
February	13	8
March	27	7
April	10	6
May	1	5
June	19	4
July	17	3
November	6	4
December	23	5
Average		**4·778**
1903.		
January	15	6
Do.	29	7
February	19	8
March	12	7
April	16	6
May	14	7
Do.	21	8
June	4	7
Do.	18	6
Do.	25	5
July	2	4
August	20	3
December	10	4
Do.	17	5
Do.	30	6
Average		**5·082**
1904.		
February	11	7
Do.	25	6
March	10	5
May	19	4
June	16	3
December	13	4
Do.	20	5
Average		**4·147**
1905.		
February	2	6
Do.	16	7
March	9	8
Do.	30	7
April	6	6
Do.	14	5
July	6	4
Do.	27	3
August	10	4
November	23	5
Do.	30	6
December	14	7
Average		**5·101**
1906.		
January	4	8
February	1	9
March	15	8
Do.	22	7
Do.	29	6
April	26	7
May	24	6
June	21	5
July	12	4
Do.	19	3
August	9	4
September	12	5
November	15	6
Do.	22	7
Do.	29	8
December	13	9
Average		**6·263**
1907.		
March	7	8
May	2	7
Do.	9	6
June	6	7
Do.	20	6
Do.	27	5
July	4	4
August	1	3
September	26	4
November	7	5
December	12	6
Average		**5·939**
1908.		
January	3	7
Do.	9	8
February	6	9
March	19	8
Do.	26	7
April	16	8
May	28	7
June	25	6
July	2	5
Do.	16	4
Do.	23	3
October	22	4
November	5	5
December	10	6
Average		**5·920**
1909.		
January	14	7
May	13	6
June	3	5
Do.	24	4
July	15	3
November	4	4
Do.	18	5
Do.	25	6
Average		**5·137**
1910.		
March	3	7
May	12	6
June	2	5
Do.	23	4
July	7	3
October	6	4
November	3	5
Do.	17	6
December	15	7
Average		**5·164**
1911.		
May	18	6
June	1	5
Do.	21	4
July	13	3
October	19	4
December	21	5
Average		**5·019**
1912.		
January	11	6
Do.	18	7
February	1	8
Do.	22	7
March	20	6
May	9	5
June	13	4
July	11	3
October	3	4
November	14	5
Do.	28	6
December	12	7
Do.	27	8
Average		**5·062**
1913.		
April	3	7
May	29	6
June	12	5
July	3	4
Do.	17	3
August	7	4
September	10	5
October	10	6
Do.	31	5
Average		**5·912**
1914.		
January	15	6
May	21	5
June	4	4
Do.	25	3
August	6	4
Do.	13	5
Do.	20	6
Average		**5·405**
1915.		
June	2	5
November	4	6
Average		**5·575**
1916.		
January	6	7
Do.	13	8
April	13	7
May	25	6
June	15	5
July	13	4
August	17	5
October	5	6
November	23	7
Do.	30	8
Average		**6·423**
1917.		
February	22	7
March	15	6
August	23	5
December	6	6
Average		**6·054**
1918.		
May	23	5
November	7	6
Average		**5·539**
1919.		
January	16	7
March	7	6
June	12	5
Average		**5·580**
1920.		
January	22	6
February	5	7
April	8	8
Do.	22	9
May	13	8
Do.	27	7
June	16	6
July	29	5
November	4	6
Do.	12	7
Average		**6·363**

IMPERIAL BANK.

1921.		
March	3	6
June	2	5
December	15	6
Do.	29	7
Average		**5·638**
1922.		
February	16	8
April	27	7
June	1	6
Do.	15	5
July	6	4
October	26	5
December	14	6
Do.	28	7
Average		**5·810**
1923.		
January	11	8
May	25	7
Do.	31	6
June	7	5
Do.	28	4
November	15	5
Do.	29	6
December	20	7
Average		**5·947**
1924.		
January	3	8
February	14	9
April	10	8
May	29	7
June	19	6
July	3	5
Do.	31	4
August	21	5
October	16	6
Average		**6·674**
1925.		
January	22	7
May	21	6
June	18	5
July	2	4
September	24	5
December	3	6
Average		**5·635**
1926.		
May	20	5
June	10	4
Average		**4·819**
1927.		
January	1	5
Do.	13	6
February	10	7
June	2	6
Do.	23	5
July	28	4
September	8	5
December	8	6
Do.	22	7
Average		**5·726**
1928.		
June	21	6
July	19	5
November	15	6
December	13	7
Average		**6·196**
1929.		
February	14	8
April	11	7
May	9	6
June	6	5
October	10	6
Do.	31	7
Average		**6·323**
1930.		
April	3	6
July	10	5
November	20	6
Average		**5·887**
1931.		
January	15	7
May	28	6
August	6	7
September	22	8
Average		**7·046**
1932.		
January	14	7
February	24	6
April	28	5
July	7	4
Average		**5·019**
1933.		
February	16	3½
Average		**3·563**
1934.		
Throughout the year		3½
1935.		
November	28	3
Average		**3·454**

COTTON MILLS.

Name of Company.	No. of Spindles.		No. of Looms.		Price during boom period 1920-21.	Quotations in 1935.		Intrinsic Value.* Less Depreciation.	Quotation at the close of year. (21-12-35).
	Installed.	At work.	Installed.	At work.		Highest.	Lowest.		
					Rs.	Rs. As.	Rs. As.	Rs.	Rs. As.
Ahmedabad Advance	44,224	42,822	924	880	3,300	320-10	275	245	285
Bombay Dyeing ..	†184,184	164,407	4,850	4,795	4,395	1,001-4	711-4	700	735
Central India ..	101,056	98,896	2,166	1,688	6,400	413-12	235	168	250
Century	118,620	102,188	3,096	2,809	1,545	336-4	191-4	450	191-4
Colaba Land	34,000	32,925	700	690	3,800	170-10	111-4	155	130-10
Coorla	27,372	23,427	719	713	340	117-8	96	150	96-4
Dawn	43,512	40,984	..	..	1,800	395	325	1,060	325
Finlay	46,072	29,429	784	524	1,845	140	92-8	105	112-8
Khatau	61,996	53,932	1,514	1,429	920	92-8	65	175	74-6
Kohinoor	65,636	61,747	1,495	1,384	4,800	243-12	175	176	199-6
Laxmi Cotton ..	45,792	33,616	861	789	5,250	861-4	607-8	670	667-8
Morarji Goculdas ..	78,992	58,466	1,651	1,349	8,000	1,525	750	4,875	905
New City	45,944	42,154	432	417	1,040	58-12	30	70	30
New Great	46,884	44,789	1,028	978	1,375	229-6	106-4	300	120
Phœnix	52,868	51,323	728	694	1,430	332-8	270	535	270
Sholapur	111,360	91,132	2,234	1,818	18,500	2,900	2,200	15,075	2,375
Simplex	38,084	30,879	1,323	1,163	1,335	110	61-14	80	67-8
Swan	31,450	14,537	584	400	1,700	115	65	90	95
Swadeshi	74,288	54,807	2,336	1,363	6,030	275	120	140	148-12
Vishnu Cotton ..	49,392	43,968	1,275	1,143	2,375	1,675	1,262-8	750	1,262-8

* The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

† 400 additional spindles in course of erection.

JUTE MILLS.

Name of Company.	Number of Looms. ¶	Quotations 1917 to 1935.		Quotations in 1935.		Intrinsic Value† Less depreciation.	Quotations at the close of year. (21—12—35).
		Highest.	Lowest.	Highest.	Lowest.		
		Rs. As.	Rs. As.	Rs. As.	Rs. As.	Rs.	Rs. As.
*Albion	498	635	130	329	130	295	195
*Alliance	1,232	922	140	482	260	430	295
*Anglo-India	2,561	573	110	570	362	390	422
*Auckland	810	515	107	294	178	185	202
*Bally	825	369-8	77	278	177	208	195
*Barnagore	1,744	347	72	232	112	225	139
*Belvedere	820	785	220	492	300	315	345
*Budge Budge ..	990	820	195	415	240	425	265
*Caledonian	616	860	218	595	375	480	410
*Clive	969	79-8	16	40-4	22-8	33	25-12
*Dalhousie	766	832	195	464	295	385	317
*Delta	779	870	220	474	300	430	325
Empire	500	99	27	46-8	28	40	30-8
*Fort Gloster.. ..	1,884	1,565	265	765	455	750	520
*Fort William ..	1,014	620	107	416	250	445	290
Gondalpara	600	1,600	500	1,130	785	1,190	850
*Gourepore	1,392	1,670	180	905	595	585	665
*Howrah	1,940	70-10	23	66-4	44	44	52-11
*Hooghly	454	175	41	76	44-8	65	51
*Kamarhatty.. ..	1,797	1,198	226	684	435	448	534
*Kanknarrah	1,527	905	238	605-8	370	360	442
*Kelvin	702	1,460	405	705	435	675	525
*Khardah	1,457	760	230	550	380	340	405
*Kinnison	1,250	1,810	378	805	575	690	605
*Lansdowne	846	626	70	244	120	200	140
*Lawrence	840	1,060	220	640	405	560	415
*Lothian	558	705	125	372	230	540	240
Naihatty	815	900	200	563	360	445	370
*New Central.. ..	709	1,055	275	467-8	295	450	315
*Northbrook	567	113	25-8	57-8	37	53	39-4
*Reliance	1,276	101	20-8	87	61-8	55	70
*Standard	650	933	185	433	285	344	305
*Union	1,326	1,280	237	605	398	595	414

* The intrinsic value of these is arrived at by valuing each loom at Rs. 5,000.

† The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

¶ 15% of this figure was idle under the Jute Mills Associations "Short Time" Agreement till October 31st, 1934 and 12½% only after that date.

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INTRODUCTORY.

In the latest Economic Survey issued by the League of Nations it is pointed out that the most striking feature of the recovery that has been taking place in world trade is the continuous diminution of Europe's share in the total. European trade, though still more than half the world total, has continued to shrink while there has been expansion elsewhere. The reason assigned for this deterioration by the Geneva document is "the multiplicity and effectiveness of trade restrictions, especially quantitative restrictions, in most European countries. Shut out by these measures from their former markets, the export surpluses of the agricultural-producing countries in particular have been directed to other markets. New trade connections, eliminating Europe in greater and greater degree, are being built up." To European economic policies, as expressed in the restrictions which are diverting trade to other continents, must be added, as an additional deterrent to recovery, European diplomacy, as expressed during 1936 in events and policies too familiar to require reiteration. Suffice it to remark here that,—as reflected in the failure of the League of Nations to prevent the Italian conquest of Abyssinia, the additional stimulus and justification thus extended to the criminal competition in re-armament, and the avidity with which rival " ideologist " forces have hastened to develop a civil war into an international conflict in Spain—European statesmanship has lost most of the little esteem it retained after the World War and the "peace" settlements which followed, and, if that be possible, has rendered still further disservice to the structure and prestige of "Western civilization". Happily, the politicians have been unable to prevent a certain degree of economic recovery, which has gone forward, mostly outside Continental Europe; and, subject to no additional political tensions arising, it is reasonable to hope that the forces now at work will prove powerful enough, surmounting all obstructions, to assure a further advance in the current year. A year which witnessed the devaluation of the Gold Bloc currencies, however belatedly, and induced the three great democratic (and creditor) Powers to ally their resources on the basis indicated in the Tripartite Agreement, cannot indeed be dismissed as altogether lacking in " light amidst the encircling gloom," although most of the hopes and expectations fostered by that almost unique display of international co-operation have still to materialise. In an era, however, in which the activities of so many States under autocratic direction are marked by aggressive malevolence, there is, perhaps, reason to be grateful for the promulgation of such a constructive programme as the Tripartite Agreement affords, " programme " only though it still remains.

The United Kingdom.

As an exemplar of political as well as economic stability the United Kingdom was subjected in 1936 to tests which, in the sequel, have enhanced both her strength and her prestige. The Constitutional crisis, so skilfully and swiftly surmounted, exerted only a small and transient influence on the economic structure, and the year closed with the recovery movement stronger and more widespread than at its beginning. No other country has made a comparable advance over so wide a front within such a short period. All the indices—of employment, wages, industrial production and profits, railway traffic and revenue, building activity, savings, oversea trade, shipping activity and shipbuilding, the return on oversea investments—point to increasing activity and prosperity undimmed by any indications of an early recession. Home trade activity was more than maintained, while new trade pacts and clearing agreements afforded increased opportunities for export business, although pre-occupation with domestic commitments is at present occasioning a certain short-sighted neglect of oversea connections. Money remains cheap and abundant, and, although a substantial deficit is anticipated in the next budget, there is no fundamental deterioration in the position of the national finances despite the heavy cost of the re-armament programme, its economic effect being to give a new stimulus to production, and, indeed, to compel substantial additions to productive equipment. Indeed, the present level of production and employment in Great Britain reveals a greater capacity for self-sufficiency than was deemed possible even five years ago, and affords a remarkable instance of adaptability, without loss of prosperity, to new conditions, especially affecting international trade. Yet that, in this instance, domestic development has not been pursued, in the long run, to the prejudice of world commerce is attested by imports aggregating around £ 800 millions, representing a by no means inconsiderable contribution to the total turnover in world markets.

The London Bankers' Clearing House statement of the amount of bills, cheques, etc., dealt with during 1936 showed the remarkable increase of over £ 3,000,000,000 compared with 1935. Country clearings, the recognised guide to the nation's trade, at £ 3,537,596,000 showed an increase of £308½ millions or 9.5 per cent. over 1935, and have only once been exceeded. The total of the 24 Stock Exchange Settlements amounted to £ 4,152,908,000, an increase over 1935 of £ 456,705,000, or 12.3 per cent. New capital issues, excluding conversions, amounted to £ 255,571,000, equivalent to £ 19,423,000 or 8.2 per cent. more than in 1935. If these totals still fall substantially below those of 1929 it is relevant to recall that the higher price levels obtaining seven years ago necessitated a larger amount of credit to finance a given amount of goods. The " Financial Times " index number of wholesale prices (based on 1935) gives a figure of 139.8 for 1929 and 107.5 for 1936.

Industrial and trading profits have risen further during the past year, and capital appreciation has kept pace with the rise in dividends and, it may be added, the growing expectation of still larger profits and dividends in succeeding years. In the year ended 16th December 1936, the 365 securities compiled by the " Bankers' Magazine " showed an appreciation of over £ 370 millions, while, compared with the end of December 1931, the appreciation exceeds £ 2,000,000,000.

Larger profits and dividends have been accompanied by increased employment and higher wages. The number of insured persons in employment has increased by 503,000 to 11,120,000, and the number

of unemployed has fallen from 1,918,562 to 1,628,719, a total which it is expected will fall still lower in 1937. Weekly wages increased by £ 400,000, equivalent to £ 21,000,000, a year divided among 4 million workers, and helped to account for the increase of 6 per cent. in retail trade; further indications of the general increase in activity and welfare being available in the increase of over £ 5 millions in railway traffic receipts and the construction of another 340,000 houses. All the available evidence points to at least equal, if not greater, activity and profits during 1937.

Undoubtedly the gravest defect in the British economic structure to-day is the failure to develop exports *pari passu* with the large expansion in imports. If the lag in British exports is due, to some extent, to the continued enforcement of import restrictions abroad and the growing productivity of domestic industries in some of the largest of the markets formerly accessible to British goods, it is also traceable to the unsatiated demands of the British market itself, leaving many industries little inducement to seek export business, and, indeed, when armament contracts are added, depriving many of them of the capacity to cope with oversea orders, when offered. Inasmuch as armament contracts will absorb a still larger percentage of British productive capacity in 1937, thereby accentuating the influences making for lower exports, while imports are likely to soar to still higher levels, owing to the recovery in commodity prices, there is more than a risk of a still further deterioration in Great Britain's balance of trade in the present year, and it will be of interest to note what steps, if any, will be taken to avert such deterioration.

Cotton Goods and World Markets.

Lancashire continues to deplore the progressive decline in its shipments of cotton piece-goods and cumulative evidence tends to support the prediction that among all the "consumer" products which formerly bulked so largely in international commerce the trade in cotton manufactures is the least likely, in the most favourable circumstances, to recover anything approximating to its former volume and value. Although the manifold import restrictions incidental to the world depression have accelerated the decline, the growth of domestic industries was in any event only a matter of time, and in the larger markets, such as India and China, no foreseeable hindrance can debar or even greatly delay the development of these industries to the point at which cotton goods of foreign manufacture will become superfluous and will be excluded either as a deliberate objective of fiscal policy or by weight of local competition. In all probability the factors which have contributed to the decline in Lancashire shipments will ultimately react as prejudicially on Japanese exports which cannot continue indefinitely on their present scale. In the course of a recent analysis of the possible effect on the prospects of the British cotton industry of changes in the commercial policy of foreign countries with which Lancashire is concerned, the Joint Committee of Lancashire Cotton Trade Organisations remarks disconsolately that even if Lancashire may now hope at least that exports during the immediate future will be stable about their present level, it cannot be forgotten that such a level would have seemed deplorably low as recently as 1929. An estimate of the effect of the different types of restrictions imposed is afforded by comparing Lancashire exports of cotton piece-goods to each group of markets in 1929 and 1935. Exports to the group applying quotas to imports from Lancashire's competitors only have remained unchanged. Exports to the group giving Lancashire a tariff preference diminished by 18 per cent.; to the group applying exchange restrictions by 30 per cent.;

to the group subjecting Lancashire goods to a quota by 57 per cent.; to the group imposing high protective tariffs by 84 per cent.; to the group with non-discriminating low tariffs by 61 per cent. The Lancashire Committee maintains that unless Japan can find new markets, or device further methods of evading existing obstacles, further expansion of Japanese trade in cotton goods, as we have already forecasted, will be impossible.

As, however, the Indian production and import figures indicate beyond challenge, the growth of domestic manufacture has been a more potent factor than Japanese price-cutting in curtailing Lancashire shipments, and although, as the depression lifts, consumption may rise, and a shift to the better qualities of material may occur, such a measure of recuperation alone will not necessarily revive either Lancashire or Japanese shipments inasmuch as the domestic industries have not reached the limits of their development either quantitatively or qualitatively. As the British Trade Commissioner in India remarks in a wider context, so far at any rate as India is concerned, there would seem to be no possibility of a resumption of purchases on a pre-depression scale until India has enjoyed so many years of prosperous agricultural conditions that the standard of life of the ryot has become permanently raised; and when that time comes it will probably be found that India has become self-supporting.

Indeed, the same line of reasoning has a wider application, and does not apply to the cotton trade or to Indo-British trade alone. Commodity prices are rising, and, according to previous experience, an early sequel should be a revival in imports of manufactured goods by the countries producing primary products proportionate to the increase in the value of their exports. In this respect, however, it appears improbable that commercial history will repeat itself, the first industries likely to benefit from the increased purchasing power of the rural populations being the domestic industries whose production and productivity have expanded so greatly behind the formidable protective and revenue tariffs thrown up during the Depression and whose further expansion will be given a new stimulus from the increased demand for their products thus foreshadowed.

British and Empire Shipping.

The difficulties of meeting subsidised competition are being impressed by British shipowners on the National Government with increasing frequency and insistence, and final agreement on the problems involved has not yet been found. In the long run probably the only effective remedy for the ills to which British shipping is heir is the restoration of world trade to at least its pre-slump proportions—a consummation, however, of which there appears to be little assurance despite recurring mutual exhortations by responsible Governments for the adoption of the co-operative measures necessary to bring this about. Meanwhile, British shipping is being driven off many routes as the sequel to subsidies against which unaided private enterprise finds it impossible to compete. Let it be recognised that to the British Commonwealth the supremacy of the seas, in the widest sense of the term, is as vital in peace as in war; for, without a large margin of shipping to offset wartime losses, Great Britain, in the event of another international conflict, might conceivably be starved into submission, and the outer forts of the Commonwealth could not survive the fall of the central citadel.

Even on the assumption that world peace remains unbroken, there is the economic consideration that Great Britain, with 45 million people dependent for essential foodstuffs and raw materials on world trade, requires a large mercantile marine as an essential element of the commercial system by which this large population is sustained. Hitherto the only subsidy given to British shipping has come from the British Government alone.

If, however, the plea is widened, and financial assistance is invoked from other parts of the Empire, stress is bound to be laid on the consideration that a form of transport which, demonstrably, is vital equally to every part of the Empire cannot remain indefinitely the monopoly only of one member of that Commonwealth, even though that member be the United Kingdom. Development by stages is, however inevitable, and the next step may well be the reservation, where desired, of coastal shipping to vessels under local control, leaving to the British mercantile marine, and if necessary helping it to retain, the trade between the constituent parts of the Empire, and, as far as may be, between the Empire and foreign countries. The alternative, on the assumption that financial aid is necessary, is Empire assistance in support of British shipping alone, a programme which could hardly form the basis of a permanent policy, however expedient it might prove to tide over a passing emergency. Be that as it may, it is optimistic to assume that, outside Great Britain, Empire assistance to British shipping could be entirely unconditional.

A Year of Rising Commodity Prices.

The *Times* index number of wholesale prices on 30th December, 1936, was 3.8 per cent. higher than a month previous and 12.4 per cent. above 30th December, 1935, the respective figures being 120·8 (100 representing the year 1913), 116.4 and 107.5. The extent of the rise in December was exceptional, having been exceeded in only two months in the past fourteen years, namely, in September, 1931, when the index rose 4.1 per cent. following the abandonment of the gold standard by Great Britain, and in November, 1923, when a sharp rise in cotton prices helped to raise the index figure by 4.3 per cent. The index has now risen continuously for seven months, and has gained 15 per cent. since May, 1935. The December figure was 33.8 per cent. above the low point of 90.3 recorded in June, 1932, and was the highest shown in any month since March, 1930, when the figure was the same as for last December. The rise in the level of prices in the past year of 12.4 per cent. compares with an increase of 6.8 per cent. in 1935, 2.4 per cent. in 1934, and 0.4 per cent. in 1933. As in 1935 the advance in prices of industrial materials was greater than in food, the index for which was 11.6 per cent. higher against a rise of 13.0 per cent. in industrial materials. The food section, however, contained the greatest individual rise in the groups of commodities, 31.5 per cent. being recorded for cereals. In the industrial section the iron and steel group advanced 13.2 per cent. other metals and minerals 16.8 per cent. cotton 8.9 per cent. and other textiles 22.9 per cent.

So far as India is affected, we are content to quote and endorse the dictum of the British Trade Commissioner for India in his last annual report, *viz.*, " This paramount question of prices lies at the root of most of India's economic ills and particularly of the decline in her active balance of trade in merchandise." As the same authority no less pertinently observes. " The volume but

not, of course, the value of Indian exports in 1935-36 was less than 10 per cent., below the pre-depression level."

Exchange Rates in 1936.

The following table shows the highest and lowest points touched by the foreign exchanges, as quoted in London, during 1936, and also compares the rates current on the last day of each of the past two years. The figures given in parentheses show the date on which the highest and lowest points were reached .—

Place	Par of Exch. before Sept. 20, 1931	December 31, 1936	December 31, 1935	Highest, 1936	Lowest, 1936
New York	4.86⅔	4.91⅛	4.93	5.07¼ (23/9)	4.87⅛ (7/11)
Montreal	4.86⅔	4.95⅞	4.95⅞	5.06½ (9/9)	4.86¼ (10/11)
Paris	124.21	105.9/64	74-29/64	106½ (22/10)	74⅜ (1/1)
Brussels	35.00	29.15	29.25	30.02 (23/9)	28.80 (6/11)
Milan	92.46	93-5/16	61¼	93.50 (8/10)	61⅛ (1/1)
Switzerland	25.22	21.37½	15.15½	21.57(30/9)	15.06 (18/2)
Athens	375.00	547½	519	560 (710)	515 (20/3)
Helsingfors	193.23	226¾	227⅛	227½ (16/1)	226 (6/11)
Madrid	25.22	Nom.	35-15/16	62 (10/9)	35⅞ (1/1)
Lisbon	110.00	110-3/16	110⅛	110¼ (24/11)	109⅞ (1/1)
Amsterdam. ..	12.11	8.96¾	7.25½	9.40 (5/10)	7.24½ (1/1)
Berlin	20.43	12.20	12.24½	12.90 (28/9)	12.10 (6/11)
Vienna	34.59	26½	26½	28 (11/6)	25½ (1/1)
Budapest	27.82	16½	16½	28 (6/7)	25¼ (29/9)
Prague	164.25	140¼	118½	140¼ (28/12)	118¼ (1/1)
Danzig	25.00	26	26⅛	27⅛ (8/9)	25½ (8/10)
Warsaw	43.38	26	26⅛	27⅜ (8/10)	25½ (28/9)
Riga	25.22	25¼	15⅛	25¾ (30/9)	14⅜ (24/9)
Bucharest	813.60	670	665	685 (3/10)	657 (11/11)
Istanbul	—	6.13	6.14	6.34 (29/9)	6.11 (28/11)
Belgrade	276.32	213	216	228 (16/6)	208 (7/11)
Kovno	48.66	29	29¼	30½ (16/6)	28½ (6/11)
Sofia	673.66	405	400	430 (15/9)	385 (1/1)
Tallinn	18.16	18¼	18¼	18¾ (1/1)	17¾ (1/1)
Oslo	18.16	19.90	19.90	19.95 (1/1)	19.85 (1/1)
Stockholm	18.16	19.40	19.40	19.45 (1/1)	19.35 (1/1)
Copenhagen	18.16	22.40	22.40	22.45 (1/1)	22.35 (1/1)
Alexandria	97.50	97½	97½	97⅝ (1/1)	97⅜ 1(1/1)
Bombay	1s. 6d.	1/6-5/32	1/6-5/32	1/6-3/16 (1/1)	1/6-3/32 (29/1)
Calcutta	1s. 6d.	1/6-5/32	1/6-5/32	1/6-3/16 (1/1)	1/6-3/32 (29/1)
Madras	1s. 6d.	1/6-5/32	1/6-5/32	1/6-3/16 (1/1)	1/6-3/32 (29/1)
Hong-Kong	—	1/2-63/64	1/3¾	1/4 (11/1)	1/2-11/16 (12/9)
Kobe	24.58d.	1/1-25/32	1/2-1/32	1/2⅛ (26/5)	1/1¾ (31/12)
Shanghai	—	1/2-35/64	1/2-9/16	1/2⅛ (1/1)	1/2-3/16 (22/9)
Singapore	2s. 4d.	2/4-5/32	2/4-3/32	2/4½ (3/1)	2/4 (1/1)
Batavia	12.11	7	7.22¾	9.37 (5/10)	7.78 (29/9)
Rio de Janeiro † ..	5.90d.	2-15/16d.	2-21/32d.	2-31/32 (3/12)	2⅝d. (1/1)
Buenos A. ‡	11.45	16.05	18.25	18.90 (3/7)	16.00 (17/12)
Valparaiso	40.00	131½	127	136 (27/5)	127 (1/1)
Monte Vi dio § ..	4s. 3d.	26¾d.	22¼d.	*39⅜d. (9/1)	*38½d. (9/9)
Lima	17.38	19.50	19.85	20.50 (9/9)	19.00 (28/12)
Mexico	9.76	18	17¾	18.90 (27/8)	17.25 (1/1)
Manila	24.66d	..2/0-5/16	2/0¼	2/0-13/16 (18/11)	1/11-7/16 (9/9)

* Official rate. § The highest market rate was 27d. (3/12) and the lowest, 22d. (1/1)

† The official rate remained at 4 1/4d., sellers, throughout the year.

‡ The official rate remained at 15p., sellers, throughout the year.

Reviewing the course of the foreign exchanges in 1936, the London *Times* (January 4th) observed that the outstanding development was the devaluation in September of the old European gold-bloc currencies. This explains the substantial appreciation of sterling in Continental currencies shown in the table printed above. Francs were under pressure for the greater part of the year and the flight of capital from France was the major market influence in 1936. This is illustrated by the course of the French exchange, the lowest point of the year having been reached on January 1 and the highest on October 22. Subsequently the franc rate was firmly held by the French Exchange Equalization Fund. The New York exchange moved to a higher level than in 1935, when the lowest point was $ 4.71½, the lowest level in 1936 being $ 4.87 and the highest $ 5.07¼. The last named quotation was reached in September before the devaluation of the franc; following that development dollars were strongly bid for. The tripartite monetary declaration which accompanied the devaluation of the franc resulted in a closer control of the leading exchanges and in the closing months of the year rates were controlled by the various central banks to a far greater degree than ever before.

A Changed and Changing World.

The world of 1935-36, as is remarked in the economic survey issued by the League of Nations, is vastly different in economic outlook and political temper from that of 1931-32. During this short space of five years, the first Soviet plan of industrial development has been completed and a new plan begun. In the far East, Japan has launched a campaign of trade expansion and has pushed forward her manufacturing development. The United Kingdom, Belgium and the Netherlands have joined the ranks of protectionist countries, and a network of trade restrictions of unprecedented strength and complexity has been spread over an increasing proportion of the world's trade. At Ottawa in 1932, not only the British Dominions, but the Colonies also were drawn into closer economic relations with the Mother Country, and in 1935 at Vincennes, an effort was made to do the same for the French Colonial Empire. With the departure of the United Kingdom from the gold standard in September 1931, the central prop of the former international monetary system snapped, and the subsequent years saw first a series of consequential currency dislocations and then the slow approach to more limited and as yet precarious international equilibrium. Reparation payments ceased after the Lausanne Conference in 1932, and, except for Finland, war-debt payments have been in suspense since 1933. A great part of the international commercial and public-debt payments has also been paralysed. In the United States and in many other countries, extensive recovery programmes have been launched and in all but a very few countries there has been a considerable cheapening of interest rates. As a result of Current financial and monetary policies, there has been a striking increase of gold production and monetary gold reserves, and the foundation has been laid for a very considerable credit expansion.

In practically every country, economic activity has begun to be affected by the increase of armament expenditure. Warfare steadily extends its scope as armies are mechanised and made dependent upon specialised industrial and scientific support. Defence plans, therefore, inevitably take the form of industrial as well as military preparedness for mobilisation. The training of personnel must be supplemented by adequate equipment, and such equipment becomes more and more elaborate. Consequently, armament expenditures must directly influence production and employment. Indeed,

the conditions of modern warfare demand nothing less than the capacity for rapid and complete mobilisation of the whole industrial organisation for military purposes. Concurrently, and to some extent consequentially, with the increased dependence of industry in many countries upon re-armament programmes, there has developed a notable increase in the influence of Government policies upon economic activity. Everywhere, the scope for individual initiative is rapidly narrowing, and industrial, financial and trading groups grow larger and more powerful. Governments intervene more strongly and continuously and extend their intervention to new aspects of economic and financial activity. The development is clearest in countries controlled by authoritarian Governments wherein the needs and purposes of the all-powerful State tend to take precedence over individual desires and the machinery of government is effective in establishing their precedence. In such controlled and regulated economies, the corrective and recuperative forces inherent in a system of free enterprise tend to be choked. On the contrary, the control of economic activity is often directed less to the satisfaction of individual needs than to the achievement of non-economic purposes.

International Trade in 1936.

Judging by available figures of the value of the foreign trade transacted by the chief countries participating in world commerce, the year 1936, according to figures correlated by the International Chamber of Commerce, has marked an improvement on 1935, which latter was already a better year than its predecessor. Of thirty-three countries representing four-fifths of the world's exports and imports, twenty-seven showed considerable increases in the value of their exports in the first nine months of 1936 as compared with the same period of 1935. Eighteen of the twenty-seven showed an export value increase exceeding ten per cent. Almost as many countries, twenty-six to be exact, improved their import figures in more or less the same proportions. In twenty-three of the thirty-three countries considered, both exports and imports were greater than in the preceding year. These countries were Australia, Austria, Belgium-Luxemburg, Brazil, British Malaya, Canada, Chili, Czechoslovakia, Denmark, Finland, Germany, Great Britain, Hungary, Irish Free State, Japan, Netherlands, New Zealand, Norway, Poland, Rumania, Sweden, Union of South Africa, United States of America. Lower exports in comparison with 1935 were registered in six countries, including France and U.S.S.R., while lower imports were registered in seven countries, including India and Switzerland. For Argentina, Algeria and Egypt the value of both exports and imports was less in the first three-quarters of 1936 than in the corresponding period of 1935. A certain number of countries provide figures of the physical volume of their imports and exports, expressed in metric tons. These confirm the increase in foreign trade indicated by the value figures. Thus twelve out of sixteen countries show a greater export tonnage, while thirteen out of sixteen show a greater import tonnage.

The wholesale price level and the cost of living in the various countries continue their upward movement, which has now become almost general in all countries and which the recent monetary alignment has helped to accentuate. Further, in a considerable number of countries it may be said that a normal relation between the two price levels has become established. If Governments succeed in extending measures designed to reduce obstacles to trade and to consolidate the basis laid for currency stability, it is confidently calculated that the year 1937 should be one of continued improvement in business.

Comparative Statistics of International Trade and Prices.
The Price Level.

The following record shows the percentage of the increase (+) or decrease (—) of the wholesale price level and the cost of living level in 22 countries. (Average of first nine months of 1936 compared with average of first nine months of 1935.)

Country	Wholesale Price Level	Cost of Living Level	Country	Wholesale Price Level	Cost of Living Level
France	+ 14.23 %	+ 2.41 %	Germany	+ 2.57 %	+ 1.00 %
China	+ 12.36 %	+ 6.10 %	Canada	+ 2.13 %	—
Belgium	+ 10.58 %	+ 6.73 %	Greece	+ 1.82 %	+ 3.66 %
Japan	+ 6.37 %	+ 5.66 %	United States of America	+ 1.31 %	+ 2.05 %
United Kingdom	+ 5.57 %	+ 2.70 %	Netherlands	+ 1.30 %	—
Norway	+ 5.08 %	+ 2.54 %	New Zealand	+ 1.18 %	+ 2.66 %
Denmark	+ 4.68 %	+ 0.01 %	Hungary	+ 0.96 %	+ 6.10 %
Switzerland	+ 4.14 %	+ 1.90 %	India	+ 0.94 %	+ 0.44 %
Union of South Africa	+ 4.04 %	+ 0.11 %	Poland	+ 0.73 %	— 5.25 %
Australia	+ 3.94 %	+ 1.85 %	Finland	+ 0.43 %	+ 0.24 %
Sweden	+ 3.16 %	+ 0.80 %	Czechoslovakia	— 0.65 %	— 0.65 %

INTER-NATION TRADE.

Following is a record of the gains (+) and losses (—) in the export and import trade of 33 countries during the first nine months of 1936 compared with the same period in 1935. The comparison is calculated on the *value* of the exports and imports in national currency. The 33 countries listed below together accounted for 83.09% of world exports and 84.05% of world imports in 1935. No country is included whose individual participation in world trade was less than 0.50% of the world total.

Exports (value basis).

Increase	Percentage	Increase	Percentage
New Zealand	+ 28.56	Denmark	+ 9.60
China	+ 28.10	Austria	+ 7.80
Belgium-Luxemburg	+ 26.60	Czechoslavakia	+ 6.70
Canada	+ 21.34	Hungary	+ 5.85
Union of South Africa	+ 20.90	Switzerland	+ 5.80
Rumania	+ 20.69	British Malaya	+ 5.04
Finland	+ 17.13	Japan	+ 4.79
Sweden	+ 16.10	Netherlands	+ 4.07
Brazil	+ 15.80	United Kingdom	+ 2.62
Irish Free State	+ 15.42		
Chile	+ 15.35	Decrease	
Netherlands East Indies	+ 14.96		
Germany	+ 13.00	Egypt	— 4.50
India	+ 12.90	Algeria	— 5.09
Australia	+ 12.86	Argentina	— 6.27
Norway	+ 11.20	Greece	— 6.32
United States of America	+ 10.87	France	— 6.54
Poland-Danzig	+ 10.44	U. S. S. R.	— 11.02

Imports (value basis).

Increase	Percentage	Increase	Percentage
U. S. S. R.	+ 32.19	Rumania	+ 9.84
Belgium-Luxemburg	+ 27.31	Greece	+ 9.59
Chile	+ 24.00	Denmark	+ 8.50
Hungary	+ 20.87	Austria	+ 4.84
New Zealand	+ 20.55	Irish Free State	+ 4.53
Finland	+ 18.33	Netherlands	+ 3.88
Union of South Africa	+ 17.88	British Malaya	+ 3.73
United States of America	+ 17.30	Germany	+ 1.60
Poland-Danzig	+ 15.85		
Czechoslovakia	+ 15.48	Decrease	
Australia	+ 15.34		
Brazil	+ 13.18	Egypt	— 0.47
Japan	+ 12.71	Netherlands East Indies	— 2.42
United Kingdom	+ 12.54	China	— 4.95
France	+ 12.34	Algeria	— 5.23
Norway	+ 11.92	India	— 8.34
Canada	+ 11.88	Switzerland	— 11.49
Sweden	+ 10.73	Argentina	— 15.48

Tonnage of Exports and Imports.

The following table is based on the *tonnage* of the exports and imports of 16 countries during the first nine months of 1936. The figures show the percentage increase (+) or decrease (—) in this period by comparison with the corresponding period in 1935, based on the official figures of metric tons of merchandise entering or leaving the country. The 16 countries listed below together accounted for 35.21% of world exports and 35.09% of world imports in 1935. No country is included whose individual participation in world trade was less than 0.50% of the world total.

Exports (metric tons basis).

Increase	Percentage	Increase	Percentage
Hungary	+ 30.00	Japan	+ 3.06
Switzerland	+ 25.33	Austria	+ 1.74
Brazil	+ 15.11		
Greece	+ 11.59		
Belgium-Luxemburg	+ 10.35	Decrease	
Finland	+ 9.78		
Rumania	+ 6.80	France	— 1.25
Germany	+ 6.78	Poland-Danzig	— 6.98
New Zealand	+ 6.13	U. S. S. R.	— 10.15
Netherlands	+ 5.47	Argentina	— 22.58

Imports (metric tons basis).

	Increase Percentage		Increase Percentage
Hungary	+ 35.20	Greece	+ 4.79
Finland	+ 27.13	U. S. S. R.	+ 4.45
New Zealand	+ 23.63	Brazil	+ 4.30
Rumania	+ 18.12	Argentina	+ 3.72
Poland-Danzig	+ 13.95		
Germany	+ 8.77	Decrease	
Belgium-Luxemburg	+ 7.04	Austria	— 1.68
Japan	+ 6.64	Netherlands	— 2.34
France	+ 5.35	Switzerland	— 9.72

International Lending and International Trade.

International lending has lost none of its former indispensability as a contribution to international trade; on the contrary, its importance has increased. For one of the consequences of the world-wide growth of domestic industries, namely, the smaller percentage of consumer-goods figuring in international commerce, is a greatly increased dependence on capital goods if such commerce is ever to regain its former proportions, and, although the potential demand for such goods is so large as to be almost immeasurable, its effective expression is deferred until the creditor and industrial countries are prepared to resume long-term credits, thus recognising the new foundation on which international trade must rest, and giving it a new lease of life.

As a practical illustration of the scope for international investment along these lines, there is perhaps no more impressive example than China, with its large and industrious population and its only partly mobilised resources, a country whose potentialities are so considerable, and indeed so palpable, that no dissent was expressed when, after his visit to the Far East, the Chief Economic Adviser to the British Government confirmed the long-held belief that a prosperous China would afford the largest undeveloped market in the world for manufactured goods. What is happening in China in respect of her oversea, especially her import, trade is broadly true of many other former outlets for Western manufactures, and therefore has a significance which should not be overlooked. As Sir Frederick Leith-Ross discovered, there is a change taking place in the nature of Chinese imports. Cotton goods, which in 1929 represented 15 per cent. of her total imports, in 1935 represented only 3 per cent. On the other hand, iron and steel and manufactures, including motor vehicles and aeroplanes, which in 1929 represented but 12 per cent. of the import trade, by 1935 had risen to 25 per cent., and this tendency is likely to continue. The explanation is, of course, that, while the Chinese demand for cotton piecegoods is being supplied more and more by local mills, Chinese imports of machinery and other capital goods are increasing, and for a long time ahead, owing to the remoteness of local manufacture, can be secured only by importation. There is an immense amount of railway construction and development of public utilities, electric power plants, etc., now going on in China, but as China is not in a position to purchase capital goods for cash, credit facilities are required. Long-term loans are essential to finance railway construction for which there is still so much scope in China,

and increasing attention is being devoted to the terms on which such assistance might be tendered. There are many indications of the anxiety of the Chinese Administration, despite gratuitous obstruction, to consolidate its revenue position and regain the confidence of Western bondholders, and, within a calculable period, these efforts should yield fruit in the form of further substantial loans for railway construction. Meanwhile, there are many contracts, not only for railways and rolling stock, but for public utility equipment and machinery of all kinds alike for Government and municipal authorities and private concerns, which can be financed by means of middle-term credits, and the despatch to China of a special representative of the British Oversea Export Credits Guarantee Department represents an attempt to meet these requirements.

China, as we have said, is not the only country, showing a wide disparity between its economic requirements and its financial resources, and it is to such countries that the surplus capital of the creditor countries should again be directed. Such a movement should receive additional encouragement from the reviving ability of debtor countries, aided by the recovery in commodity prices, to meet prior obligations, and to undertake new commitments. Creditor countries, too, however, are deeply concerned, apart from potential profits to the investors directly concerned, inasmuch as, unless and until international lending is revived, the new stimuli required to revive international trade will be lacking, while prolonged reliance of their own trades and industries on re-armament contracts—a poor substitute for productive investment—will add progressively to the risk of another major international conflict more disastrous than the last.

The Economic Renaissance in the Near and Middle East.

In the Near East few, if any, countries have achieved greater economic development during the period the Depression than Turkey whose budget is balanced, whose currency is stable, and whose industrial expansion is well planned and so fully controlled that its Government has found it possible, without risk of regression, to decree the abolition of all import quotas as from the beginning of 1937. In effect, Turkey is demonstrating that industrial expansion, and the elimination of artificial restrictions on imports, are policies so completely compatable that they can be pursued concurrently; and international trade would benefit immeasurably if other countries followed suit. Turkey is planning to manufacture an ever-growing percentage of her own industrial requirements—as exemplified by the impending construction of steel works involving an immediate capital expenditure of nearly £3,000,000—but at the same time she is reducing restrictions on imports, and offering inducements to oversea producers to supply her with capital goods outside her own immediate range of production. The State is in complete control of all developmental programmes in Turkey and its plans and projects are as comprehensive and multifarious as the economic resources and opportunities of the country permit, ranging from the development of communications and transport to the modernisation of agricultural processes, the exploitation of mineral riches, and the development of textile factories to schemes for the electrification of the whole country. Yet, despite this development, a very wide range of supplies remains to be obtained from foreign sources, and, as exemplified by the new Anglo-Turkish Trade Agreement, Turkey is cultivating oversea markets for Turkish products in order that the funds necessary to finance such imports may be obtained by the normal processes of trade and without recourse to foreign capital and credits.

In Turkey economic reconstruction hinges on a measure of State control which leaves little scope for independent private enterprise and none at all for foreign undertakings, the most important of which, such as the railways, are passing into Government ownership, subject to reasonable compensation to the interests expropriated. The trend of official policy can be inferred from impending legislation which provides for the suppression of the 118 existing Turkish Chambers of Commerce and the division of the country into 21 identical districts each of which will have a Chamber under the direct supervision of the Ministry of National Economy. Industrialists will join a special federation whose function, under Government direction, will be to correlate all industrial activities. In effect all economic activities will be controlled by the State, subject only to the co-operation of the Chambers of Commerce and the new Industrial Federation acting in advisory capacities. As a contribution to industrial development the Turkish Government is devoting special attention to the extraction of minerals in Anatolia, and considerable increases in production, including manganese, chrome, sulphur, have been achieved. Coal, however, remains the most important mining industry, production showing an increase from 1,595,000 tons in 1930 to 2,340,000 tons in 1935, while exports in the same period increased from 155,000 tons to 749,000 tons, Italy, Greece, Brazil, Egypt and Syria forming the principal oversea markets.

In Egypt, too, to some extent as the sequel to the Anglo-Egyptian political settlement, economic progress has been given a new stimulus, and large programmes of development are taking shape, and in regard to the extension of irrigation facilities, have reached the stage when it has been possible to place contracts and begin another move forward. A number of new roads and bridges, as well as railway extensions, are required in order to conform to the terms of the Anglo-Egyptian Treaty, and a total capital expenditure approaching £10,000,000 will be required under these heads alone.

In Iran the Trans-Iranian Railway is nearing completion and the development projects under consideration include a large number of public works, as well as various industrial projects, an extensive road construction programme, and the encouragement of more intensive systems of agriculture.

In Iraq irrigation extension schemes are well to the fore, a number of new bridges are planned, railway extensions are contemplated, and important schemes for flood prevention are under active consideration.

In Palestine, which has probably made more economic progress in the last five years than any comparable area in the world, political dissensions represent a formidable barrier to further advance in the immediate future, but it is hoped that this hiatus will be removed as the sequel to the inquiry now proceeding under the British Commission headed by Lord Peel, for the interests of all classes and communities are undoubtedly prejudiced by the present impasse.

As the result of preceding discussions the Governors of the Central Banks of Greece, Yugoslavia, Rumania, and Turkey—the Balkan Entente, declared in a statement issued on December 20th that (1) they could not join the group of countries adhering to the recent monetary agreement of Great Britain, France, and the United States ; (2) they desired chiefly a definite stabilisation of the currencies of the principal Powers, and (3) they desired to be represented on the Administrative Council of the Bank for International Settlements. Stabilisation of the principal currencies, it was agreed, was

particularly desirable and urgent in order that other countries and particularly those of the Balkan Entente may also join in the work of improving the world monetary situation. At the same time they consider that some agreement should be reached over external debts and that such an agreement would also bring about a revision in the regulations regarding the gold clause. The Balkan Bank Governors recognise the necessity above all, that countries which have effected monetary alignments should lessen, and as much as possible abandon altogether, the system of restrictions, and renounce progressively their clearing agreements, or at least make them less rigid.

INDIA.

India in common with other primary producing countries of the world, advanced another step forward on the road to recovery in 1936. Improvement was particularly marked in the prices of agricultural commodities, which helped to increase purchasing power; and there was a definite tendency towards a better balance in the price relationship between agricultural commodities and manufactured goods.

According to the price index numbers compiled by the Labour Office of the Government of Bombay, the wholesale price index for Bombay, on the basis July 1914=100, was 98 in November 1936, being the same as in November 1935, but 47 points lower than the average for 1929, when the downward trend started. The index number for cereals, however, due largely to the higher price of wheat, was 11 points better in November 1936 than in November 1935. Items grouped as "all food" showed a betterment of 3 points over November 1935. On the other hand the price index for other raw and manufactured articles dropped from 101 in November 1935 to 94 in November 1936. Accordingly the hardship felt by agriculturists in India, who form the bulk of the population, through a disproportionate fall in prices is to a great extent relieved since the prices of agricultural commodities have moved up while the prices of manufactured and other raw materials have declined.

The recovery was marked also in other direction. The balance of trade in merchandise in favour of India was as high as Rs. 60.77 crores as against Rs. 24.84 crores in 1935 and Rs. 25.02 crores in 1934, showing an improvement of Rs. 35.93 crores over 1935 and Rs. 35.75 crores over 1934, and compares favourably with the balance of trade during the more nornal years, *i.e.*, 1926-27. The increase was partly of a quantitative character since improvement in prices during the greater part of 1936 was only fractional. The fall of Rs. 11.38 crores in the imports of merchandise in 1936 as compared with 1935 was also responsible for the larger favourable balance of trade. The following table giving the details of experts from India in value and quantity may be found interesting :—

(000's omitted.)

Years.	Total of Rice.		Jute Raw.		Jute Manufactures		Cotton Raw.		Tea.		Oilseeds.	
	Qnty. (Tons).	Value. (Rs.)	Qnty. (Tons.)	Value. (Rs.)	Qnty. (Tons.)	Value. (Rs.)	Qnty. (Tons.)	Value. (Rs.)	Qnty. (Lbs.)	Value. (Rs.)	Qnty. (Tons.)	Value. (Rs.)
1925–26 ..	2,587	37,97,51	647	37,94,57	811	58,83,98	745	94,99,28	325,733	27,12,17	1,250	29,63,68
1926–27 ..	2,057	33,19,86	708	26,78,04	861	53,18,09	569	58,60,31	349,264	29,03,78	838	19,08,77
1927–28 ..	2,187	33,98,72	892	30,66,26	885	53,65,54	480	47,72,18	361,614	32,48,49	1,210	26,69,30
1933–34 ..	1,744	10,56,66	748	10,93,27	530	16,46,69	426	23,42,59	317,816	19,84,50	1,124	13,66,15
1934–35 ..	1,607	10,36,99	752	10,87,11	580	18,24,69	364	20,32,26	324,833	20,13,19	875	10,54,10
1935–36 ..	1,410	11,03,41	771	13,70,51	739	21,18,60	469	27,14,89	312,590	19,82,00	672	10,31,63
1936–37 April to Dec.	937	7,44,89	580	10,25,81	752	23,48,95	607	33,76,91	258,824	17,12,43	766	11,96,19

It is evident from the above that the demand for India's products in world markets is gradually improving thus indicating revival in international trade and freer exchange of commodities. The total merchandise exports including re-exports during the year amounted to Rs. 185.25 crores as against Rs. 160.69 crores in 1935; whereas the imports of merchandise aggregated Rs. 124.48 crores against Rs. 135.85 crores in the previous year. The total tonnage registered for outward shipment in 1936 amounted to 8,526,267 tons as against 8,451,279 tons in 1935 and 7,929,879 tons in 1934 and 7,637,355 tons in 1933.

The Ottawa agreement arrived at in 1932 between the British Dominions, India and the United Kingdom to help expansion of trade between those countries through reciprocal tariff concessions, was terminated by the Indian Legislature on November 15, 1936, by six months' notice in May 1936. The Indo-Japanese trade agreement concluded in 1934 is due to terminate on 31st March 1937. While deliberations are in progress to replace the Ottawa and the Indo-Japanese trade pacts, by new agreements, it needs emphasising that no agreements or arrangements for the expansion of trade between India and outside markets can be of much avail unless they aim primarily at the extension of India's export trade. Although the figures of merchandise balance of trade of India show a marked improvement, no account is taken of the invisible items which tend to militate against this balance. Nor, as was pointed out in the last issue of our Annual, can the outward flow of gold be permanently relied upon to meet the external obligations of India; the export of gold in 1936 amounted to Rs. 33.16 crores against Rs. 44.22 crores in 1935, a fall of about 25 per cent. It is evident from the following figures that the bulk of the hidden treasures has already been exported. The total quantity of gold exported since the abandonment of the Gold Standard by the United Kingdom in September 1931 aggregates Rs. 300.67 crores in value. The total imports of gold since 1901 aggregated about Rs. 543 crores and thus about 57 per cent. of the more recent acquisitions have already been wiped out. Therefore, any trade agreement directly or indirectly calculated to bring about a rise in imports into India cannot be acceptable unless it also provides for proportionate expansion in India's exports.

The improvement in merchandise exports and the continued export of gold, though on a diminished scale, throughout the year, helped Government to adjust their ways and means position with ease. These twin factors were also responsible for a firm sterling exchange market, and Government were able to buy practically every week large amounts of sterling at favourable rates from the open market. The opening balance with the Government of India in the Home Treasury amounted to £590,000 on April 1, 1936, and £31,650,000 was remitted through open market purchases from April to December 1936. The total net requirements of the Government of India for the Secretary of State's disbursements in London for the fiscal year 1936-37 are estimated at £41 million, including £16.85 million for the redemption of 5½ per cent. 1936–38 India sterling loan. Government have yet to remit only about £9 million to meet their total Home Treasury disbursements. In the present condition of the exchange market, they should have little difficulty in securing this balance of sterling remittances.

With regard to the Ways and Means position, Government had frequent recourse to the Reserve Bank for temporary advances. Their maximum debt under this head with the Reserve Bank of India was Rs. 8 crores on January 10, but this was completely liquidated on January 31.

Several times during the year Government took advances from the Bank but promptly liquidated their debt. The outstanding under this head was Rs. 4 crores on December 11, but the balance outstanding at the end of the year was nil. As usual Government used this facility to adjust the difference between Treasury Bill maturities and renewals, to meet the demand for purchase of sterling from week to week and occasionally to fill the gap between revenue returns and public expenditure.

The sale of Treasury Bills continued to be a weekly feature except for two short intervals from February 5 to March 10 and from May 26 to June 30, when the sale was suspended. The suspension was probably due on the first occasion to revenue flowing in at a faster pace—and this despite Treasury Bill maturities of Rs. 2 crores a week—and on the second occasion probably to facilitate the flotation of a New Rupee Loan in India, a communique in connection with which was issued on May 23. Government were able to sell every week large amounts of these bills even during the export season, when money is usually in good demand and the supply of surplus funds low. Tenders for the sum of Rs. 2 crores a week were accepted till January 17 when the amount was halved. But the figure of Rs. 2 crores was restored from April 24 onwards and was maintained throughout the year. Contrasted with the preceding few years, however, no intermediates were sold during 1936. The flow of funds into this short term investment was primarily due to the unprecedented monetary ease and to a certain extent the reluctance of investors to put their funds into long-term securities, which were more susceptible to political influences. As in the past three years the only class of usance issued was the three months, Treasury Bill. Bills sold during the year aggregated Rs. 79 crores, compared with Rs. 76.79 crores in the previous year, and Rs. 202.93 crores in 1931, when they reached their peak both in respect of amount and the average return on them, which was about 6 per cent. compared with ·722 per cent. during 1936. The highest rate paid was 1.125 per cent. and the lowest .432 per cent. At the end of the year the outstanding bills amounted to Rs. 28 crores as compared with Rs. 27.87 crores at the end of the previous year. The Finance Member in his budget speech anticipated that outstanding bills would be Rs. 45.09 crores at the end of the financial year 1936–37.

With long-term borrowings as with Treasury Bills Government had their own way. Regarding the fresh issue, investors appeared to disregard even the international political situation, which in the normal course would have affected it adversely.

Government had no loans to repay in India, although they had the option to repay the 5½ per cent. 1936–38 sterling loan to the extent of £16.85 million, which was exercised by them by giving three months' notice for repayment on the 15th of July 1936. The loan was repaid without any fresh borrowing in the London market. A small Rupee loan for Rs. 12 crores was raised in India bearing 2¾ per cent. interest, liable to tax, at par. The loan is redeemable at par on or after June 1, 1948, on three months' notice, but not later than June 1, 1952. Subscriptions were received on May 26, in the form of cash only; the minimum amount for application was Rs. 5,000. The loan was oversubscribed soon after the list opened, and a partial allotment of 40 per cent was made on all applications. This was the first time in the history of Government of India's borrowing that the rate of interest was lower than 3 per cent. The ease with which Government were able to borrow

at such a low rate was a conclusive proof that the Government of India's credit was pre-eminent and compared favourably with that of any other country in the world.

Government have no loans to repay either in London or locally in 1937, whereas there is a 5½ per cent Rupee loan amounting to Rs. 19.14 crores which Government have the option to repay on 1st October 1938, by giving 3 months' notice. There are no sterling loans due until 1942. In the present monetary conditions, Government will undoubtedly exercise their option and may even borrow additional funds at low interest while it lasts, to finance some items of productive capital expenditure.

There are yet no signs of an immediate change in money rates, though the usual factors responsible for higher rates are undoubtedly operative. This process is, however, gradual. Commodity prices are advancing ; the volume of internal trade is increasing and there is a definite change for the better in the turnover of international exchange of goods. Re-armament programme all the world over is in progress. All this points to a gradual hardening of money rates. But we must not lose sight of the fact that the resources of the Central Banks of the important countries, supported as they are by enormous reserves, will be able to meet the growing requirements.

With the marked improvement in India's trade and further cheapness of money helping Government to borrow at almost nominal rates, the budgetary position of the Government of India is satisfactory. Receipts from Customs revenue aggregate Rs. 40.25 crores from April to December 1936 as compared with Rs. 41.84 crores during the same period in 1935, and Rs. 54.82 crores the budgeted figure for the fiscal year 1936-37. Railway figures show a slight betterment; the earnings of all State Railways amount to Rs. 67.89 crores during the period 1st April 1936 to 31st December 1936 as compared with Rs. 65.31 crores during the same period of 1935. Although no contribution to General Revenues may even yet be expected it will perhaps not be necessary to draw upon the depreciation fund to any large extent.

Further relief was given to the tax-payer in 1936 by a reduction in the income-tax surcharge by half, and the abolition of the tax on incomes under Rs. 2,000. It is to be hoped that the Finance Member will go a step further in his budget proposals for 1937-38 by removing the surcharge altogether. The claim of the tax payer for this concession is now all the stronger since the return on his earning assets has declined further during 1936, as proved by the fact that Government was able to borrow short term money at an average rate as low as .722 per cent. and obtained a medium term loan at the record low rate of 2¾ per cent. For the second year in succession the Assembly found Sir James Grigg's Finance Bill unacceptable, and H.E. the Governor-General in Council had to certify it. It is sincerely to be hoped that the Finance Bill for 1937-38 will be so framed that it will be readily accepted by the Legislative Assembly.

Changes of paramount importance in the administration of India are now imminent. Sir Otto Niemeyer, who was appointed last year to carry out an investigation into the budgetary position and to make suggestions as to what financial adjustments would be necessary under the reformed constitution, was able to master the intricacies of the problem within a short space of time and made such recommendations as will render possible the inauguration of Provincial Autonomy on the 1st

of April 1937. The Provinces will become fully autonomous from the 1st of April 1937, and if they are to carry out the responsibilities devolving upon them in the fullest measure it is only right that they should have sufficient source of revenue at their command. It is only proper, therefore, that Sir Otto Niemeyer's suggestions regarding the allocation of taxes on income in greater proportion to the Provinces from which they are derived should become effective. The recommended division between the Provinces of the amounts available in respect of the 50 per cent. share of Income-Tax is as follows:—

Provinces.	*Per cent.*
Madras	15
Bombay	20
Bengal	20
United Provinces	15
Punjab	8
Bihar	10
Central Provinces	5
Assam	2
North-West Frontier Province	1
Orissa	2
Sind	2
	100

The Committee of experts appointed during the latter part of 1935 to recommend changes in the existing Income-tax Act continued their sittings in 1936, and recently submitted their report. The Committee endorse the principle that losses incurred in business in any year should be allowed to be carried forward to the following years. In the absence of such a rule in the existing act, the commercial community has suffered a great deal and has a justifiable grievance on this score.

The special Tariff Board inquiry into the cotton textile industry of India instituted at the suggestion of the Lancashire delegation concluded its proceedings in 1936, and a report was made to Government in June. The Government in accepting their recommendation have made the following changes in the duty on cotton goods:—

	British Manufacture.		Non-British Manufacture.	
	Old Scale.	New Scale.	Old Scale.	New Scale.
Plain Grey cotton piecegoods	25% a. v. or As. 4⅜ per lb which-ever is higher.	20% a. v. or As. 3½ per lb. which-ever is higher.	50% a. v. or As. 5¼ per lb. which-ever is higher.	No change.
Bordered grey bleached and coloured piece-goods	25% a. v. ..	20% a.v. ..	50% a.v. ..	No change.
Cotton Yarn	5 %a. v. ..	No change ..	6¼% a. v. ..	No change.

The Indian Companies (Amendment) Act on which Government were engaged last year, went on the Statute book in the year under review. After considerable discussions, the Amendment Bill was passed by the Legislative Assembly, and the New Act came into effect from the 15th of January 1937. The Act, as amended, is thoroughly overhauled in the light of existing conditions. The most significant changes are the provisions made to better safeguard the interests of shareholders. It is gratifying to note that the Act deals with the Managing Agency system at great length and contains provisions to prevent abuses by Managing Agents, who in many cases in the past have ignored the best interests of the company and publicly flouted the opinion of the investor under the protection of their agreements. Many other far-reaching amendments in the Act, *e.g.*, stricter control over Directors' powers; greater elucidation of the prospectus whenever issued; the right to issue preference shares redeemable out of profits; the presentation of accounts and balance sheets in a more clarified form, provision of greater details regarding expenditure and the greater transfer of control to the shareholders in general.

If prices of shares and the number of companies floated are true indices to the revival of respective industries, then industrial conditions, with the probable exception of the Jute industry, considerably improved during 1936. The Cotton Textile Industry, the premier industry of India, and one depressed for the past few years, showed welcome signs of improvement. Even the Bombay textile mills which suffered most during the depression appear to have turned the corner, and are reported to be making satisfactory progress. This is due partly to increased efficiency with lower cost of production and partly to pre-occupation of competitors with producing materials for internal requirements. The local demand for indigenous products has perceptibly increased, and this has helped the industry to maintain production with expectation of a fair margin of profit. Fortunately for the trade, there were no labour disputes and the industry worked in a favourable atmosphere.

The total number of mills in India increased from 365 to 379. Out of the 379 equipped mills in the country, 27 were completely idle during the year. Of these 27 mills, eight were located in the Bombay City and Island.

The total number of spindles in the equipped mills of the Country now stands at 9,856,658, an increase of 171,483 during the year. The total number of looms is 200,062, an increase of 1,195 during the year. In the City and Island of Bombay the number of spindles fell from 29,90,088 to 29,85,357 and the number of looms from 68,385 to 68,348. The total paid-up capital of the industry on August 31, 1936, amounted to Rs. 40.56 crores, an increase of Rs. 1.09 crores compared with last year. In Bombay, the total paid-up capital of the industry increased by Rs. 40 lakhs to Rs. 13.20 crores.

The index number of the wholesale market price of raw cotton at 92 was the same as that in December 1935, while the index number of cotton manufactures was down by 2 points from 97 to 95 in the same period.

A regards textiles and the Indo-Japanese trade agreement it is to be hoped that there will be a favourable revision of the existing pact in the interests of Indian industry, and that the revised agreement will also be made on the basis of fully reciprocal trade relations and will cover a wide range of goods.

Iron and Steel.—The steel industry in India made very favourable progress during the past year. Pre-eminent among the causes were, the assurance of protection to the industry under the Iron and Steel Duties Act, 1934, up to March 31, 1941, and a universal increase in the demand for steel owing to re-armament programmes. The latter was responsible for a rise in the prices of pig iron and steel manufactures in the European markets and also for restricting exports of manufactures from these countries to India and other Eastern centres. The fear of competition following the devaluation of currencies of Belgium and the other gold-bloc countries manufacturing steel was entirely removed owing to the pre-occupation of the countries with the manufacture of re-armament materials, thus leaving the Indian industry in sole charge of the internal market. Furthermore, an encouraging report has it that Japan, which has hitherto depended largely on Russia for its supply of pig iron, would in future look to India for its supply; and this was a contributory factor in raising the price of indigenous steel manufactures. An additional factor strengthening the position of the steel industry in India was the amalgamation of the two rival Bengal companies which are interested in the production of pig iron.

The Tata Iron and Steel Company, which to-day is the largest steel concern in the country, made remarkable progress during the year. Through stringent economies and re-organization it has been able to pay off the accumulated dividends on its preference capital except for a small amount of about Rs. 32 per share including interest under the Court scheme. The Tata Iron & Steel Company is in a very happy position and with the increased demand for Indian manufactured steel, the Company, it is generally believed, has an excellent future. The prices of steel products manufactured by Tata Iron & Steel Company registered sharp advances towards the close of the year, and although the profits made owing to the rise in prices may not be reflected in the accounts of the company in the year 1936-37, these are bound to show in the Company's accounting year 1937-38. The figures of production of the company are a testimony to the progress made. The following table shows the position :—

Tata Steel Works Production.

(*in tons*).

	Pig Iron.				Steel Ingots.				Finished Steel.			
	1933.	1934.	1935.	1936.	1933.	1934.	1935.	1936.	1933.	1934.	1935.	1936.
January ..	71,000	75,400	83,700	80,520	58,640	63,700	82,000	89,370	40,600	46,500	48,000	59,350
February..	47,864	70,800	70,790	74,860	46,439	58,750	70,800	76,210	39,731	45,200	46,200	54,800
March ..	58,470	78,000	78,900	79,640	52,616	68,280	68,170	72,760	34,747	49,800	54,400	52,500
April ..	57,249	73,100	76,000	73,890	50,430	62,500	66,600	64,330	36,200	40,600	48,800	52,790
May ..	52,200	74,100	64,100	75,354	50,250	63,800	61,000	67,838	41,400	49,800	51,100	52,550
June ..	53,900	71,600	58,700	70,996	52,300	64,500	60,800	65,533	40,200	48,800	49,400	57,350
July ..	74,700	66,950	72,900	68,104	70,700	67,650	74,300	64,362	47,700	52,650	48,200	54,900
August ..	74,400	67,800	77,200	75,540	61,470	72,950	76,000	72,407	44,200	47,900	53,300	54,597
September.	70,650	67,900	76,100	68,574	56,800	61,560	74,750	75,333	41,700	51,100	55,800	55,550
October ..	80,000	80,740	82,500	65,700	69,000	73,200	73,270	75,200	45,000	55,800	56,400	55,700
November..	73,700	72,550	78,000	60,660	61,700	70,400	74,250	69,100	45,400	48,400	56,100	53,900
December..	80,500	83,400	79,100	64,500	63,700	70,500	80,350	72,600	48,100	60,800	60,500	56,200

Cement Industry.—The position of the cement industry in this country was consolidated by the grouping of the principal existing units under unified control, assuring thereby great economies in the manufacture of cement. The C. P. Cement, the Bundi, the Shahabad, the Katni, the Punjab, the Okha, the Coimbatore, the United, the Gwalior and the Indian Cement Companies, amalgamated as "The Associated Cement Companies, Ltd." Considerations for the transfer of the several businesses and undertakings of the cement companies to the Associated Cement Co. was a sum equivalent to Rs. 60 per ton of the rated capacity of each company subject to certain specific contributions which each company was to pay. The authorised capital of the Associated Cement Companies Ltd. is Rs. 8 crores, which is divided into shares of Rs. 100 each. To facilitate distribution by the different companies amongst their shareholders, the Associated Company issued fractional certificates, and each of the companies agreed to subscribe for shares in the Associated Company of a nominal value equivalent to Rs. 10 per ton of its rated capacity. Each company retains its funds for the benefit of its own shareholders. The agreement with Cement Managing Agencies is expressed to be for a period of fifteen years.

The total production of cement during the ten months of the year amounted to 757,000 tons as against 697,000 tons for this period last year. Total imports of all kinds, chiefly portland cement for the first 11 months of the year amounted to 53,405 tons as compared with 55,647 tons during the same period of 1935.

It is contended in some quarters that the heavy profits that the cement industry is making in this country will bring new units into the field which will intensify internal competition. It should, however, be noted that building activity all over the country is on the increase, and actually the existing units are working at full capacity to meet the growing demand. Therefore, the danger of over-production through wasteful competition does not seem to be real at present.

Jutes.—Jute, on its manufacturing side, is the one Indian industry that has not made favourable progress during the year. A crisis owing to internal competition has so far been averted by an increase in the demand for jute goods, resulting from the general improvement in international trade and it is only the revival in world trade that may come to the rescue.

The limitation scheme which had proved an unqualified success brought into being many new small mills, which took advantage of the favourable situation by working without restriction and thereby competing with the member mills which worked under agreement as to restriction of production and hours of work. Despite several appeals made by the Jute Mills Association and the Associated Chambers of Commerce to Government, the latter have not changed their attitude towards the industry, which was defined in the remarks of His Excellency the Viceroy last year at the Annual Meeting of the Associated Chambers of Commerce, that "Government were unable as yet to see eye to eye with the Jute Mills Association on the subject of restricting output, but they were ready to consider any sound proposal that might be put forward for assisting the industry to reach a strong and more stable position."

The Jute Mills Association has, in recent years, striven to restrict production of jute goods so as to keep pace with demand, but they have had no control over the non-Association Mills. Accordingly in pursuance of the representations of the members in this connection notice was given to

non-Association Mills, who were parties to the agreement that the agreement be terminated by the 31st March of 1936. A new agreement was substituted from 1st of April 1936 for a material increase in the working hours from 40 to 54 a week on single shift with no night work. Negotiations were still carried on between non-member and member mills, but with no success.

The position now is that the Association Mills are working maximum hours permissible under the new agreement, whereas the outside mills are working irregular hours, some of them working double shift. This has led to dissension among the member mills, especially because those who have smaller number of looms claim the same liberty to increase their production either by working longer hours or by increasing the number of looms as the non-Association mills.

It would be unfortunate that while the international factors are favourable for a considerable improvement in the intrinsic position of the industry, internal dissensions should tend to arrest its progress. Export of raw jute in October showed a record figure of 115,000 tons, an increase of 20,000 tons as compared with the previous month, and an advance of 15,000 tons as compared to October 1935. There are signs that demand is likely to continue particularly from American markets and on account of the virtual monopoly that this industry enjoys in all markets, considerable benefits should accrue to the jute interests from an expansion in the volume of international trade. While the value of exported jute increased from Rs. 149 per ton in 1934-35 to Rs. 184 in 1935-36, the value of manufactured goods actually declined from Rs. 313 to Rs. 308 per ton. This is all the more disappointing especially since the prices of other commodities have increased and the demand for jute manufactured goods has been persistently good. The formation of the Central Jute Committee should go a long way to improve the intrinsic position of the industry. As a consequence of the unsettled conditions of the jute mill industry and the resultant shrinkage in profits, the jute mill shares did not respond to the general rise in the values of industrial stocks. Whereas there was an increase of 4 points in the price of index number of non-speculative securities in the 11 months of 1936 over the same period of last year, there was actually a decline of many points in the ten important jute mill shares.

Sugar.—The sugar industry continued its favourable progress except during the latter part of the year, when it suffered from over-production. Encouraged by large profits realised by the existing units, new factories are set up every year with the result that production has out-stripped local demand. The Italo-Abyssinian War and the continuance of political disturbances in Europe encouraged accumulation of stocks by dealers in the hope of realising bumper profits in the event of a bigger conflagration. Even the uneconomic units have made profits in the past owing to a large measure of protection granted to the industry, but the growing competition among producers with no corresponding increase in consumption figures and, in the absence of any outlet for Indian manufactured sugar, the less efficient mills are already feeling the ill-effects.

The number of sugar mills which stood at 57 in 1932-33, the year when the protection was granted, increased to 140 in 1935-36 and it is expected that the number working in 1936-37 will be over 150. The total production which stood only at 645,283 tons in 1932–33 is expected to exceed 1,125,000 tons in 1936–37. The reduction in imports, however, is not proportionate.

The total imports in 1932 amounted to 462,205 tons as against 37,580 tons in 1936. The industry has now reached a stage when the country can be absolutely independent of foreign imports of sugar. The average estimated consumption per year is put at about 1,000,000 tons; however, with the increased purchasing power of the agricultural classes, as a result of the rise in commodity prices, the sugar consumption is likely to improve to the pre-depression average which stood at 1,200,000 tons per year.

Present production, therefore, would be enough to supply any excess consumption that might arise as a result of increased purchasing power. The industry in order to stand on its own should therefore devise means of regulating its supply and thus put itself on such a strong and stable foundation so as to be able to withstand competition from other markets with the aid of a minimum tariff. The raw product cane, on which the industry is dependent, needs much more attention than the process of manufacturing sugar. At present the quality of cane produced in India is not upto anything like that produced in other important sugar manufacturing countries; and considerable research is necessary to produce a sounder cane. Furthermore, the crushing season as at present, extends to only four or five months, leaving the mills idle for the major part of the year. The solution of these vital problems merits immediate attention. The total area under sugar cane production has increased, but rather than increase the acreage it would be to the benefit of the industry if better quality sugar cane with plenty of sucrose is developed. The President of the Sugar Companies Conference at Cawnpore stated that "If we understand the utterences of our Finance Member, who says that owing to expansion of sugar industry the Government of India is losing heavily.....we will not be surprised if the import duty is reduced in future," and it is well to take note that while a large measure of protection is available the industry should consolidate its position. It is safe to assume that no competition can be expected, except from Java, the largest sugar manufacturing country and the supplier of India's needs in the past. Even in this case Sir James Grigg gave an assurance that the guilder export price of sugar from the Netherlands Indies will be increased by an amount proportionate to the depreciation of the guilder. Rupee price of the imports from Java will, therefore, be unaffected by the departure of Holland from the gold standard. The price of sugar owing to internal competition dropped from Rs. 130 per ton in November 1935 to Rs. 119 per ton in November 1936, a drop of 11 points. Shares of the sugar companies which were very popular with the investors, have also lost ground in the last quarter and prices in many cases have declined by 10 to 15 per cent.

Political Conditions.—In the political sphere, conditions were on the whole relatively tranquil. The outstanding events of the year were the publication of the report of Sir Otto Nimeyer recommending financial adjustments between the Provinces and the Centre and the acceptance of it by the Secretary of State and subsequent introduction of Orders-in-Council in the British Parliament in connection with the inauguration of Provincial Autonomy on 1st April 1937. The Provinces of Orissa and Sind were inaugurated and they have since been functioning as separate administrative units.

After the establishments of autonomy in the Provinces, the Federal Constitution will, it may be confidently hoped, come into being at the Centre as soon as a majority of Indian States complete their adhesion. The revised draft of the Instruments of Accession was published in August and the

Indian Princes have since been deliberating with a view to reaching a final decision. Further, discussions are in progress between the representatives of the Government of India and those of the Indian States with the same object in view. A vital part of the Federal structure, the Federal Court, will come into being in October 1937; the appointments of the Chief Justice and Judges of the Court as well as of the Advocate General have already been made. All these augur well for the hope that the new Constitution in its full-fledged form will commence functioning in 1938.

Meanwhile the interest of the public is focussed on the elections to the Provincial Councils and all the political parties have been keenly engaged in contesting them. It may be hoped that the tremendous energy galvanized by the electioneering campaign will be canalised into constructive activities which will benefit the people. What are the prospects in this direction? The success of any Constitution and *mutatis mutandis* of the new Constitution in India, depends upon three fundamental conditions: firstly, on the kind of people who, as the representatives of the community, are going to work it; secondly, on the spirit and intention with which the public representatives work out its implications in detail and lastly, on the purpose which may inspire and animate their policies. For a constitution with democratic basis there can be little doubt as to the last point. It must secure greater good of greater number of Indian people. But the two peculiarities of the Indian situation should be borne in mind. On the one hand, there are political parties whose avowed objective is to wreck the Constitution and thus expose its deficiencies. This obstructionist policy will in the last resort end in constitutional deadlocks and will prove barren of any constructive result. On the other hand, even in the Provinces, the measure of responsibility which the new Constitution is calculated to confer is hedged by innumerable and apparently obnoxious safeguards which may stultify the efforts of the elected representatives of the people to carry into effect even moderate policies. Time alone will decide how far it would be possible to effect a *modus vivendi* in this situation.

There is one more point. By making the financial adjustments recommended by Sir Otto Niemeyer it will be possible for the Provinces to start on an "even keel." But the subvention and grants from the Centre to certain provinces, are temporary devices to enable them to achieve financial equilibrium over a certain period. It is obvious that inauguration of Provincial Autonomy will increase administrative expenses, and we believe that in a large measure the success of the actual working of the Constitution will depend upon large scale economies; and foremost among these is the need for heavy curtailment of top heavy administrative expenditure.

Money.—In 1936 monetary conditions were extremely easy and a plethora of funds was throughout in evidence for the same reasons as during the past five years. Exports of gold though reduced in volume, continued; and in addition there was comparatively a large excess of merchandise exports over imports. Even during the first quarter of the year, which is the usual export season, there was no perceptible change in money rates. The state of the money market was indicated by Government's ability to reduce the rate of acceptance on Treasury Bill tenders from a little over 1 per cent. to about $\frac{1}{2}$ per cent. by the end of March. Short term fixed deposits were absolutely out of favour, and even 6 to 12 months did not fetch more than about $1\frac{1}{2}$ to $1\frac{3}{4}$ per cent. Call money went a-begging at $\frac{1}{4}$ to $\frac{1}{2}$ per cent. The second quarter saw no change

in money rates, but from August onwards there were signs of money becoming more usable. The financing of jute exports was expected to influence short-term rates, but actually it did not create any stringency. During this period, however, there was some activity in the capital market, there being many new flotations all over India. The table appended below shows the trend of registration of Joint Stock companies in recent years :—

Years.	Companies registered.		Aggregate authorised capital.		Average authorised capital per company. (000's rupees).
	Number.	Index of registration. Base : 1913-14 = 100.	Amount. (000's rupees).	Index of aggregate of authorised capital. Base : 1913-14 = 100.	
1913-14	356	100	66,91,53	100	18,79
1929-30	839	236	62,55,18	93	7,46
1930-31	731	205	21,55,62	32	2,95
1931-32	768	216	29,97,60	45	3,90
1932-33	1,247	350	30,99,88	46	2,49
1933-34	885	249	56,54,91	85	6,39
1934-35	965	271	42,20,14	63	4,37
1935-36	1,027	288	51,36,44	77	5,00
1936-37 Apr.-Sept.	557	....	68,88,88	....	....

The following is the classification of the 557 companies registered during April to September 1936 :—

Description.	No. of cos. regd.	Authorised capital. (000's rupees.)	Distribution according to Provinces.		
			Provinces.	Number of cos.	Authorised capital. (000's rupees).
Trading and Manufacturing	294	20,45,71			
Banking, Loan and Insurance	116	27,39,55			
Mills and Presses	40	3,25,17	Madras	95	2,28,91
Hotels, Theatres and Entertainments ..	38	1,13,82	Bombay	71	20,61,86
Transit and Transport	19	13,53,87	Bengal	162	11,55,00
Estate, Land and Building	16	1,35,79	Punjab	82	29,66,81
Tea and Other Planting Companies	11	45,15	U. P.	39	1,51,21
Sugar	10	96,00	Others	108	3,25,09
Mining and Quarrying	6	23,00			
Other Companies	7	10,82	Total ..	557	68,88,88

Source of information : 'Joint Stock Companies' monthly.

A substantial portion of idle funds thus found employment in other channels, and Banker's deposits which stood at Rs. 36 crores at the end of March were reduced to Rs. 15.24 crores at the end of the year. Accordingly in December money was a little better in demand on the approach of the export season, and call funds were quoted at 1 per cent. Treasury Bill acceptance rate which had been under ½ per cent from 31st of July to 21st of August, the lowest being .432 per cent. (Aug. 7) improved to 1½ per cent. at the close, and fixed deposit rates showed an improvement of about ¼ to ½ per cent. on all positions. At the end of the year there were definite signs of a revival in trade and there was a greater demand for funds for trade purposes.

Changes in notes in circulation and the reserves of the Reserve Bank were due to trade conditions. Improvement was reflected in a small increase in notes in circulation, backed partly by an increase in Rupee coin. The increase in notes in circulation was, however, intermittent. At the opening of the year notes in circulation amounted to Rs. 172 crores and after declining to Rs. 166 crores at the end of January advanced to Rs. 173 crores in the middle of April. At the end of May notes in circulation declined by about Rs. 8 crores. After intermittent rise and fall, notes in circulation, which amounted to Rs. 160 crores at the end of July, steadily advanced and closed at Rs. 192 crores. The Rupee coin which stood at Rs. 57 crores at the beginning of the year increased to Rs. 68 crores by the end of September, but declined and closed at Rs. 64 crores. There was no change in gold coin and bullion held either in India or outside. Sterling securities increased from Rs. 66 crores to Rs. 68 crores by the middle of April, but declined to Rs. 67 crores on July 24. At the end of the year this item had improved to Rs. 71 crores. Rupee securities stood at Rs. 25½ crores on 21st February. After minor fluctuations during the remaining period, this item stood at Rs. 23 crores at the end of December. The ratio of total metallic reserve to liabilities was 52.71 per cent. at the opening and 54.44 at the close of the year.

Gilt-Edged.—The potential danger lurking beneath the apparently calmer European political situation was generally disregarded by the investor and under the influence of cheap money gilt-edged recorded higher levels in prices during the year 1936. For instance, the re-occupation of Rhineland by the German troops in March and the grave constitutional crisis in England during November had but temporary effect on the gilt-edged values, although under normal conditions such events would have had serious repercussions. The general improvement in trade and considerable inflow of capital into fresh industrial undertakings too, had but little effect on values. Funds seeking investment in gilt-edged were still abundant, and except in periods coinciding with political and other disturbances the supply of loans fell far short of demand. Every fortnight the premium on ready 3½ per cent. Rupee Paper ranged between 2 to 4 annas, which is sufficient proof that the supply was far short of the requirements of the market.

The loan programme of the Government of India was comparatively small amounting to only Rs. 12 crores, and although there were various small flotations by Provincial Governments and Local Bodies, these were not of such magnitude as to absorb the floating supply of funds.

The market in India has been glutted with money through the large exports of gold aggregating Rs. 300 crores since September 1931, which together with the pursuance of a cheap money policy all the world over accounts for the existing situation. The index number for 3½ per cent. Rupee Paper was 103 during the 11 months of 1936 as compared with 98 during the same period of 1935 and about 68 in the 11 months of 1930 which was the lowest. 3½ per cent. Rupee Paper which was quoted at Rs. 96-1 at the opening improved to Rs. 97-11 by the middle of February in sympathy with a corresponding rise in the value of 3½ per cent. India Sterling Stock in London. Barring a temporary reaction, prices continued upward, and after the presentation of the Budget of the Government of India, which revealed no fresh borrowing programme, gave further impetus to gilt-edged, and 3½ per cent. Rupee Paper touched Rs. 99-10 on 3rd March.

At this juncture the occupation of the demilitarized Rhineland by the German troops caused the first set-back, the price declining to Rs. 96–12 on the 9th. The monetary situation, however, asserted itself, and the price of 3½ per cent. Rupee Paper advanced to Rs. 98–10 on the 15th of April. Other securities were likewise firm. 4 per cent. 1960–70 loan advanced from Rs. 111–14 to Rs. 115–6 and 5 per cent. 1945–55 (tax free) loan from Rs. 119 to Rs. 121-2 by the end of May. The labour unrest in France caused a temporary set-back, but the upward tendency soon re-appeared. 3½ per cent. Rupee Paper reached par and 3½ per cent. India Sterling Stocks touched £99⅜ on July 16. It may be interesting to note that the price of 3½ per cent. Rupee Paper touched par for the first time since the week ending 4th of August 1905.

From July onwards to the end of the year, the gilt-edged market experienced comparatively wide fluctuations but all set-backs proved only temporary under the influence of cheap money. 3½ per cent. Rupee Paper dropped to Rs. 98–13 in the end of September, but again recovered to Rs. 100–8 by the end of October. The non-redeemable loans were more susceptible to political news than the terminable ones. The last set-back of the year was caused by the constitutional crisis in Great Britain resulting in the abdication of King Edward VIII. 3½ per cent. Rupee Paper once again declined to Rs. 98–12 in sympathy with 3½ per cent. India Sterling Stock, which receded to £97¾. After the settlement of the constitutional issue the Rupee Paper once again exceeded par, closing at Rs. 100–9. At the end of the year, there were growing signs that the era of cheap money was drawing to a close, and this caused a certain amount of hesitancy in the minds of the investors, specially in regard to the interminable loans. But the dated bonds still maintained popularity and were in good demand.

Sterling Exchange.—Currency instability and wide fluctuations in foreign exchanges continued throughout the greater part of the year, but after the devaluation of the remaining gold-bloc countries and the tripartite agreement between the U. S. A., Great Britain and France the movements became negligible. The agreement was intended to co-ordinate the resources of the three Equalisation Funds so as to iron out variations in Exchanges; and it was a gesture to the public, mainly French, and to justify devaluation of the gold-bloc currencies. So long as confidence of the nationals of various countries is not restored in their respective currencies, stabilisation to a new gold basis is still remote.

Variations in the exchanges of the gold-standard countries and the sterling bloc until the devaluation of the gold-bloc, were fairly wide as may be judged from the range of the sterling price of gold, the highest being 141*s.* 4*d.* and the lowest 137*s.* 2½*d.* per ounce (*i.e.* nearly 3%). Since the devaluation, however, the price of gold in terms of sterling has ranged within narrow limits, the highest being 142*s.* 8½*d.* and the lowest 140*s.* 5½*d.*, the variation being 1.6 per cent.

The rupee being linked to sterling, varied in terms of gold, of course, in the same proportion as sterling but as between the two currencies the variations were almost negligible. It is the changes in the Rupee-sterling relationship that are of practical importance to India because the Indian trade balance is adjusted through sterling; all public and private debts are incurred and repayable in sterling; and the Government of India has to pay the Home Treasury charges in sterling. The Rupee-sterling rate was subjected to a severe temporary strain following questions in the Legislative Assembly on this subject and on the rumour that the Government were contemplating devaluation of the rupee from 18*d.* to 16*d.* since the remaining gold-bloc countries had devalued their currencies. Discussion on this subject in the Legislative Assembly was, however, disallowed

by the Viceroy and on the emphatic statement by the Finance Member that Government are determined to maintain the present sterling-rupee rate the market regained confidence.

The normal demand for trade remittances was more than met out of exports, and the extra cover provided by the outward flow of gold kept the rupee-sterling exchange steady to firm throughout the year. Even large imports of silver, about 109 million ozs., the first after a lapse of 8 years (106 million ozs. in 1928) did not cause any strain on the exchange. Government were able to buy large blocks of sterling for remittances to the Home Treasury with ease at an average rate of 1*s.* $6\frac{1}{8}d.$ Against the budgeted requirements of £41 million, Government actually remitted £31,650,000 during the 9 months ending December. So long as the Government requirements and other items of ' invisible imports ' can be met out of merchandise trade balance the stability of the rupee would appear assured, but no reliance can be placed on the volume of gold exports. Furthermore, large imports of silver are likely to continue if the present level of prices is maintained, and these will greatly offset gold exports. Accordingly if the maintenance of stability of the rupee is desired, it will be necessary, having regard to the above conditions, to keep an eye on the merchandise balance of trade for meeting the Home Treasury requirements and other invisible items which do not enter the ordinary trade channels.

Gold.—World is just one step nearer to stabilisation through the devaluation of the remaining gold-bloc countries—France, Holland and Switzerland in 1936, but it would seem that the international situation is not yet ripe for a *de jure* stabilisation of currencies on a revised gold basis. In the meantime, however, the co-ordination of Exchange Equalisation Funds, British, American and French have played a very important role in smoothing out fluctuations in foreign exchanges and therefore in the sterling price of gold. The Tripartite Currency Agreement reached between U. S. A., France and Great Britain has helped to keep the world price of the metal comparatively stable. However, the forces which have been operative for the past five years also featured prominently in 1936. Production from mines has increased further, thereby augmenting the total supply of gold for monetary reserves. The process of hoarding continued at the same pace and the scramble for gold abroad was unabated. Movements of gold from one country to another with a view to minimise exchange fluctuations were abnormally large. The following table showing the monetary reserves of the Banks of some of the important countries in the past five years should form an interesting study of the whole problem :—

Notes in Circulation and Gold Reserves.

(*end of the year figures.*) (*in millions*).

Central Banks of important Countries.		1932		1933		1934		1935		1936	
		Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.
Bank of England ..	£	371	120.6	391.9	191.6	394	192	412	200	467	314
Bank of France ..	Fcs.	85,027	83,016	82,613	77,098	83,412	82,124	81,151	66,296	89,342	60,358
Swiss National Bank.	S. Fcs.	1,559	2,471	1,466	1,998	1,440	1,909	1,366	1,388	1,482	2,709
Netherlands Bank ..	Fls.	961	1,032	911	922	912	842	809	662	792	737
Bank of Sweden ..	Kr.	598	206	647	259	708	285	785	407	893	459
Bank of Denmark ..	Kr.	312	133	343	133	386	133	383	118	398	118
U. S. Federal Reserve Bank	$	2,735	3,148	3,080	3,568	3,215	5,124	3,709	7,835	4,278	9,112
Reichsbank(Germany)	R.M.	3,560	806	3,645	386	3,900	79	4,285	82	4,980	66
Bank of Japan ..	Yen.	1,061	480	1,140	425	1,205	465	1,766	533	1,789	578

The higher selling price of gold has resulted in larger production and fresh sources of supply notably Russia, West Africa and Canada are becoming prominent. If this level of prices for the metal is maintained and larger supplies of newly mined gold are assured, there can be no fear of a shortage of gold, refined as monetary reserve, provided, of course, the more important Nations co-operated to remove at least the feeling of uncertainty that prevails in the international monetary field. As soon as the currency uncertainty vanishes, the scramble by nations will be rendered unnecessary.

Movements in the local gold market were in consonance with fluctuations in the value of sterling in terms of gold. The tendency during the first half of the year was steady and the movements in prices were very small, but towards the end of the thrid quarter sterling tended to improve in terms of gold currencies, with the result that the price of gold declined from the level of Rs. 34-14 to Rs. 33-15-3 in September.

The uncertainty regarding the fate of the gold bloc currencies kept sterling in a strong position, but in the last week of September the French authorities decided to devalue the franc by about 30 per cent., and other countries followed suit. There was a cessation of gold imports in the London market from the Continent with the result that sterling tended to move to its real level and the price of gold advanced by nearly 5 shillings. In the local market the price of the metal shot up to Rs. 35-8. Thereafter fluctuations in the price of gold both in London and locally were narrow, and these were in consonance with the changes in the sterling/dollar cross rate. Towards the end there was a slight improvement in sterling in terms of the dollar, and the price of gold locally declined to Rs. 35 per tola. Total exports of gold (bullion and coin) during the year amounted to 3,578,117 fine ounces valued at Rs. 33.16 crores against 4,732,185 fine ounces valued at Rs. 44.24 crores in 1935.

Silver.—The Silver Purchase Act of 1934 of the U. S. A. was practically ignored during the year as far as the outside world markets were concerned, and little notice was taken of the silver activities of the American Treasury. The market had reconciled themselves to the fact that the world could no longer look to the American Treasury for an augmentation of the price of the metal at least in the near future, and consequently, supply and demand determined the variations in the prices.

The local silver market which had received so rude a shock at the end of 1935 owing to the withdrawal of the American Treasury from the London silver market, gradually recovered in the beginning of the year, and confidence among traders appeared to be reviving with a distinct improvement in the undertone. The silver price of Rs. 50 per 100 tolas at the opening as compared with Rs. 86 in April 1935, attracted genuine investors in India, and a part of the proceeds from the sale of gold during the past five years found its way in to investment in silver. As much as 600 bars a day were railed up-country from the Bombay market in January and February, and stocks which had stood at nearly 20,000 bars at the end of 1935 were reduced to 7,000 bars inside of two months.

India was a good buyer of spot silver in the London market to satisfy the local demand, with the result that the price of the metal ranged between 20⅞*d.* and 22½*d.* in the last week of 1935 and the local price advanced to as high as Rs. 55-12. The firm tone continued in the opening week this

year, the rate ranging between Rs. 55-8 and Rs. 53-2, but in the absence of any encouraging advices from abroad, the rise in prices was checked both in the London market and here, the quotations declining to 20½*d.* in London and to Rs. 51-9 in Bombay. The brisk offtake of silver from upcountry, however, tended to keep the market fairly steady. The stocks declined to 6,000 bars, in spite of large imports of about 3,500 bars from London, by the end of February. Early in March following the publication of the Annual Budget, which revealed no change in the import duty on silver, bulls, who had acquired large blocks in the hope of a gain through a change in duty, began to liquidate, and buyers having been satisfied, the market dropped under selling pressure to Rs. 47-12 on the 6th, which was the lowest that was so far touched during the year. The offtake was gradually declining, upcountry having absorbed nearly 40,000 bars during the three months.

In April rumours were current in the market to the effect that some sort of an agreement had been reached between the U. S. Treasury and the Chinese Government on silver, and this caused a temporary spurt in the local quotation for spot to Rs. 52–8 on the 18th. Since, however, there was no response from other markets, and with the crisis of December still fresh in memory, the market was cautious in its commitments. In the middle of May there was again a revival of the rumour that some working agreement had been reached in Sino-American monetary discussions. Mr. Morgenthau, the Secretary of the U. S. Treasury, made a statement that the U. S. Treasury had agreed to buy at an average world price the surplus stock of China, but did not disclose the amount so purchased. This did not satisfy the bull element, and there was nervous re-selling. The offtake was gradually declining owing to approach of monsoon, and did not average more than 70 bars a day during June. Local stocks had increased to 14,000 bars by then through fresh arrivals from London. Under pressure of heavy stocks and low offtake coupled with the absence of encouraging advices from outside markets, the quotation for ready silver in the local market dropped to Rs. 48-5 early in July.

The market remained dull up to the middle of August, but in the third week with heavy sales by option dealers and in the absence of resistance, the price declined to Rs. 47, the lowest since the 17th of January. At the lower levels a demand for spot re-appeared, and the stocks were reduced to about 10,000 bars. At this stage it was reported that, after a lapse of nearly 8 months, the U. S. Treasury had resumed buying silver in outside markets. This infused enthusiasm among speculators and option dealers, who rushed in to cover, and it appeared that the tendency was upward. The reported purchase by the U. S. Treasury was confirmed by an authentic report from New York, which, however, stated that the silver bought in London was on account of the Cuban Government and further that another South American country would be a buyer of silver in the London market, provided the price there was not higher than that ruling in New York. These reports were indicative of a steady market in silver, but the seasonal reduction in daily offtake from Bombay which had dwindled to as low as 40 bars a day, prevented any substantial rise in the price. The stocks consequently mounted up to 18,000 bars.

The re-election of Mr. Roosevelt as President of the U. S. A. aroused fresh enthusiasm amongst the silver operators, who were sanguine not only of the continuance of the silver purchase programme, but also of an improvement in the U. S. official price. This made the tone of the market steadier but

further imports from London augmented local stocks to about 20,000 bars and the offtake showed no improvement. Still the bullish sentiment manifested itself in a wave of optimism, and there was a rush to buy in London both on Indian account and on account of Chinese speculators, with the result that the rate was pushed up from 20*d.* to as high as 22$\frac{15}{16}$*d.* within about 10 days. This was the highest since 19th of December 1935. On the 9th of November it was reported that buyers were rationed in London at 21$\frac{7}{8}$*d.* but the rise of 1$\frac{1}{16}$*d.* on the following day proved attractive for American traders to sell. This stopped the rise in prices. In the local market the quotation, which had improved to Rs. 56-2 declined to Rs. 53-4 on general profit-taking. Thereafter there were wide fluctuations both in London and in the local market, and the price of spot silver ranged between Rs. 51-6 and Rs. 53. During December the increased tension in the European political situation, encouraged bulls once again and there was general buying both locally and in London; the rate was pushed up to Rs. 53-1. The demand for spot in London exceeded the supply and there was a backwardation of $\frac{1}{16}$*d.* on two months forward. During the remainder of December movements were narrow, but the backwardation increased to $\frac{1}{4}$*d.* in the London market, which was largely the result of a premium on spot in the local market on reports of a possible change in the import duty on silver. Furthermore the supply of spot silver in London was insufficient to meet the demand for immediate shipment. Stocks in the meantime increased to 25,000 bars and the daily offtake was unchanged at about 50 bars.

The immediate outlook for silver is somewhat uncertain owing to the attitude of the American Treasury. Since the passage of the Silver Purchase Act in 1934, the U. S. Treasury has acquired about 1,216 million ounces silver. It is estimated that the U. S. Treasury acquired a total of 381,200,000 ounces during 1936, divided into the following classifications: from domestic ores, 62,700,000 ounces; from nationalization, 800,000 ounces; from open market purchases, including miscellaneous deposits at the mints and assay offices, 317,700,000 ounces. According to the statement of Mr. Morgenthau in May last the U. S. A. Treasury had agreed to buy at an average world price the surplus stock of Chinese Government silver. Special arrangements are reported to exist between mining interests in South America and the U. S. A. Treasury for marketing their production. Furthermore, some of the South American non-silver mining states are moderate buyers for currency requirements. The U. S. Treasury offers a special price for the country's newly mined silver and India has proved a good consumer of the metal at the existing level of prices. China and Hongkong have tried the experiment of managed currency for some time now, and it is not unlikely that they will revert to silver once again in view of the increased purchasing power of the people resulting from a rise in commodity prices and good crops. Political disturbances in China which continue to persist, will tend to create demand for silver from the masses.

Although the political pressure in the U. S. A. to raise the world price of silver has considerably subsided, the economic gain to the country through this acquisition cannot be overlooked. The U. S. A. being a self-sufficient country and a large exporter of raw and manufactured goods, could only adjust its favourable balance of trade by larger imports of silver. Insistence on payment in

gold could only check the export trade, since gold is monopolised by the large Equalisation Funds and Central Banks, and furthermore, the metal is reserved to perform the more important function, *viz.*, to liquidate debts owing to creditor countries of whom U. S. A. is the most important.

There is thus no large visible supply of silver in the world and there appear to be several potential buyers including India at a reasonable price. This may enable the U. S. A. Treasury to fulfil the objectives of the Silver Purchase Act of 1934 with much greater ease than is generally imagined. Imports of silver on private account amounted to 109,236,314 st. ozs. in 1936 as against 6,941,698 st. ozs. in 1935.

Shares.—Indian industries, gradually recovering in the previous two years, made remarkable progress during 1936, as was evidenced by a rise in share values. Although it may be said that in most cases shares are over-valued, it cannot be denied that they also reflect considerable betterment in the intrinsic position of industries in the country. Unlike in the past two years, steel and sugar industries were able to withstand the shock of devaluation of the gold-bloc countries without any adverse effect owing to the realisation of the fact that the industries stood on a firm foundation.

The steel industry which was the most susceptible to external competition last year, disregarded both the reports of prospective devaluation of the Fr. franc and the actual event and forged ahead. This was due partly to the maintenance of internal efficiency, partly to the continuance of protection and partly to encouraging reports from world over regarding the improved prospects of this industry on the re-armament programme. Although the index number of prices both for pig iron and for galvanised corrugated sheets showed little variation during the year under report the Continental prices of steel improved considerably, and were bound to affect favourably the prices of Indian manufactures. By the year-end the prices of major products of Tata Iron & Steel Co., the biggest manufacturing steel works in the East, had appreciably advanced. This caused a considerable rise in the steel shares of this and other steel manufacturing companies and the prospects for the future are generally regarded as bright.

The sugar industry which might well have suffered from the devaluation of the guilder, maintained its own on the assurance given by the Hon. the Finance Member that " the Government of India have received information from an official source that the guilder export price of sugar from the Netherlands Indies will be increased by an amount proportionate to the depreciation of the guilder. The rupee price of the imports from Java will, therefore, be unaffected by the departure of Holland from the gold standard." However, during the latter part of the year, Sugar share values fell off owing to over-production by local mills which led to intensification of internal competition and resulted in uneconomic prices.

Cotton mill shares, almost neglected up to the last quarter, found encouragement from reports that the offtake of local mill cloth had considerably improved owing partly to shortage of supplies from the outside markets, and partly to ' war scare.' Some of the mills in Bombay worked overtime to meet the growing demand, and although the profits of the industry are not expected to be large it is generally believed that this industry has turned the corner and will in the near future

show considerable improvement. The shares of the important and well managed companies found ready buyers at advancing rates.

The position of the cement industry was consolidated by the formation of the Associated Cement Companies Ltd., which represented the merger of 10 important existing units. Cement shares formed a popular investment group throughout the year.

The class of shares depending upon money rates continued their popularity owing to the low yields on gilt-edged. Bank, Railway and Public Utility shares accordingly advanced in values and were in good demand.

The tone of the share market at the beginning of the year was healthy and most of the shares rose in prices. Steels and Hydro-Electrics were favourite counters. Bombay Burmas, which had hitherto been neglected, also attracted the attention alike of investors and speculators. Cotton mill shares, on the other hand, remained neglected, and tended downward. The general apathy of investors towards this section, and the fall in the price of raw cotton early in the month, caused prices to drop heavily. Bombay Dyeings lost over 60 points to Rs. 675 and Centurys 20 points to Rs. 170-10.

During the latter half of January the market was rather unenthusiastic and prices moved within a narrow range, tendency on the whole being downward early in February. Steel shares tended to be easier, Tata Iron Ordinarys declining from Rs. 152-8 to Rs. 142-8 and Deferreds from Rs. 603-12 to Rs. 572-8. Cotton mill shares declined further, Bombay Dyeings receding from Rs. 675 to Rs. 665 and Centurys from Rs. 170-10 to Rs. 158-12. Fixed interest bearing shares on the other hand remained quite steady, supported as they were by the local monetary situation. In the second half of February market showed signs of revival of activity. But this proved only temporary, and in early March there was a spate of general selling. Tata Ordinarys which had improved to Rs. 146 declined to Rs. 142-12, and Tata Deferreds which had advanced to Rs. 542-8 dropped to Rs. 508-12. Bombay Burmas found many sellers, and the price receded from Rs. 387-8 to Rs. 363-2. Public Utilities and Bank shares on the other hand showed a marked improvement in sympathy with gilt-edged. Tata Powers gained more than 15 points at Rs. 1,556-4. In the second week of March, reported political disturbances in Europe caused a flutter in the market, and heavy industrials and cotton mill shares were in good demand. Steels regained their popularity ; Tata Ordinarys rose to Rs. 149 and Deferreds to Rs. 556-4. Among cotton mills, Bombay Dyeings recorded a rise of over 20 points to Rs. 691-4 while Century rose from Rs. 155 to Rs. 165-10. In sympathy with gilt-edged, Bank, Railway and Hydro-Electrics declined somewhat.

The enthusiasm caused by the political news did not last long, and the market relapsed into inactivity which lasted right up to the end of March. Public interest was waning at this stage and business was largely of a jobbing nature. In the absence of outside support prices tended somewhat downward. Tata Powers fell comparatively sharply from Rs. 1,556 to Rs. 1,467xd on unloading by holders following reports that the Tata Power Company was selling a bloc of forfeited shares.

Cement shares which had been comparatively neglected during the first quarter, were in good demand during April following reports of favourable progress of the Cement merger scheme, and prices hardened. Bundis advanced during April from Rs. 34-8 to Rs. 37-12 and Indian Cements

from Rs. 456-4 to Rs. 468-2. Scindia Steams were also becoming popular with the investors at this stage, on reports of an improvement in freight rates and the prospect of a higher dividend. The quotation advanced from Rs. 14-1xd, the opening rate of the year, to Rs. 16-8 by the end of April.

In the first week of May, the Board of Directors of the Tata Iron & Steel Company recommended payment of dividends on the Company's shares of Rs. 6 per share on Ordinary, Rs. 7-8 per share on Deferred and Rs. 17-8 less income-tax on 2nd Preference. This was after a lapse of 9 years in case of ordinary and 15 years in that of Deferred. This aroused investors' hopes and a regular scramble ensued. There was a sympathetic rise in other sections, except for cotton mills which remained almost unchanged. The market assumed a buoyant tone early in June and prices tended upward with intermittent reactions on profit-taking. Steel shares continued the most favourite counter. Tata Deferreds advanced from Rs. 526-4 (7th May) to Rs. 697-8 (12th June) and Ordinarys from Rs. 151-8 to Rs. 180-4. The price of Tata Powers, which had been depressed under selling pressure to Rs. 1,467xd, shot up to Rs. 1,622-8, and these shares once again grew popular with investors. Cements continued their improvement. Bombay Burmas gained about 35 points to Rs. 435-10. Belapurs, which had shown only gradual improvement during the first four months, found many buyers, and the price by the middle of June had advanced to Rs. 185-10 as compared with Rs. 158-12 at the opening of the year. Scindia Steams gained another 3 points to Rs. 19-3, a rise of nearly 35 per cent from the opening rate of the year.

In the third week of June, it was officially announced that a cement merger company under the style of " Associated Cement Co. Ltd." had been registered merging together the interests of ten existing units. This caused a sharp advance in share values.

The market remained steady upto the first half of July, and there was a good turnover in all sections. Cotton mill shares, which had been comparatively neglected, came in for general support following recommendations of the Special Tariff Board. Bombay Dyeings which had dropped to Rs. 660 (June 19) advanced to Rs. 730 (July 9) and Centurys which had been quoted at Rs. 132-8 moved up to Rs. 175. Following the rise in the cotton mill shares, there was considerable sympathetic activity in other sections, and prices advanced further. Tata Ordinarys advanced to Rs. 189-4 and Deferreds to Rs. 782-8. Bombay Burmas and Belapurs witnessed a spectacular rise, the former to Rs. 580 and the latter to Rs. 222-8. Hydro-Electrics were also firm and Tata Powers spurted to Rs. 1,692-8.

At higher levels there was a tendency to take profit, and fresh buyers were rather scarce. In this circumstance the market became somewhat hesitant and uncertain, investors preferring to " wait and see." This state of affairs continued upto the first half of August, when the tone again improved. Some of the weak holders having liquidated, the technical position of the market was better. At this time, reports were current in the market that a new steel work was set up in Calcutta through the merger of Indian and Bengal Iron Companies, and that Tatas were to be interested in it as partners. This caused some improvement in values of shares, but the turnover was comparatively small.

Scindia Steams improved further on reports of an increase in the dividend to one rupee as against six annas in the previous year, but the enthusiasm of traders in this scrip was dampened by the report that the Company contemplated a fresh issue of 400,000 shares to the present holders at Rs. 15. This resulted into short selling, which caused the rate to decline from Rs. 21-4 to Rs. 19-8.

The shake-out in August had not been quite vigorous, as there were many weak holders still left in the market. The reports of failure of the monsoon in the cotton districts caused nervousness, particularly among holders of cotton mill shares, who were anxious to liquidate in a market devoid of buyers. There was practically no resistance forthcoming and Bombay Dyeings dropped to Rs. 641-4 (September 1) and Centurys to Rs. 118-12. Other sections showed a sympathetic decline.

However, renewed reports from Europe during September and October that the re-armament programme was causing a severe strain on the visible supply of iron and steel, not only prevented a further fall but brought forth fresh buyers for steel shares. Tata Deferreds shot up to Rs. 815 (October 15) and Ordinarys to Rs. 206-4. Bombay Burmas advanced in sympathy to Rs. 531-4, and even the declaration of a comparatively small dividend of Rs. 12-8, did not affect the values adversely. It is believed that the Company's profits for the next year will be larger since the prices of raw products in which the Company is interested, have considerably improved. There was a sympathetic improvement in cotton mill shares, with more buyers. The improvement in prices was maintained and by the end of October the prices of steel shares surpassed all previous records since 1921. Deferreds advanced to Rs. 827-8 (October 28) and Ordinarys to Rs. 205-4. Bombay Burmas rose sharply to Rs. 551-4. The rise in the price of rubber to 8*d.* a pound and continued good demand for timber at advancing prices contributed to the rise in Bombay Burmas.

As was natural there was some profit taking at higher levels, and the approach of Divali holidays induced many traders to keep their accounts square over the holidays. After the Divali holidays, the market re-opened with a cheerful tone, and activity revived, with an all-round advance in prices. Steels were once again the favourite counter, and even the Tata Steel 2nd Preference which had been practically unchanged at about Rs. 173 gained 8 points to Rs. 181. Reports from all quarters to the effect that prices of steel manufactures were moving up pretty rapidly, tended to remove the fear of Japanese competition which had temporarily dampened the enthusiasm in the market for steel shares. Vigorous buying was in evidence and Tata Deferreds advanced to Rs. 861-4 (November 16) and Ordinaries to Rs. 218-4. Cotton mill shares continued the progress initiated in September following the reports of better consumption of home made fabrics. A similar tendency was noticeable in the other sections. Bombay Burmas touched Rs. 565 (November 17), and Cement shares advanced several points. Insurance companies shares drew considerable attention at this stage in anticipation of protective legislation. New Indias which were dealt in around Rs. 43-12 at the beginning of November shot up to Rs. 48-12 (November 19) and Jupiters which ranged between Rs. 13-6 and Rs. 13-12 during the last three months advanced to Rs. 17-4 on November 24.

The Bombay Government announced the appointment of a special Committee to inquire into the organization and working of the Stock Exchange and to consider whether any modifications were desirable in the interests of the investing public. There was nervous feeling among speculators,

and profit-taking ensued causing a sharp drop in prices. Tata Deferreds lost about 40 points to Rs. 820 (November 24) and Ordinarys 7 points to Rs. 211-8. Cotton mill shares, however, were the only bright spot, which helped to maintain the steady tone of the market. Nervousness, however, proved only temporary, and activity revived with an upward movement in prices except in Sugar shares which were easy on the report of the warning given by the President of Sugar Companies conference held at Cawnpore regarding over-production and consequent internal competition. Belapurs dropped from Rs. 213-12 (November 23) to Rs. 195-10 (December 1).

In the second week of December the market, owing to the constitutional crisis in Great Britain, was a little hesitant, but it fully recovered following the settlement of this issue. A large bear account which had been gradually covering was anxious to close owing to the approach of Christmas holidays. With encouraging advices from all markets and commodity prices advancing substantially share values rose sharply in the third week in all sections, and broke all previous records. Tata Steel Deferreds advanced to as high as Rs. 960 (December 22), the highest price for the year and Ordinarys to Rs. 247. Cotton mills shares were also firm. Bombay Dyeings were in good demand closing at Rs. 817-8. Bombay Burmas advanced to Rs. 582-8. Scindia Steams moved up to Rs. 23-12 following the successful issue of the fresh capital.

The market closed with a confident tone and at the highest prices for the year. The average index for non-speculative industrials based on 1914=100 was 137 for 11 months ending November as compared with the average of 130 during the same period last year. Speculative securities showed a small decline of 4 points at an average of 218 for the 11 months of 1936. The decline is mostly attributable to the lower values of jute shares and but for this the average index number should have been higher.

The Special Committee appointed by the Government of Bombay to inquire into the organization and working of the Stock Exchange has collected a mass of written and oral evidence, and it is expected that its labours will be concluded shortly and the report submitted to the Government sometime in April.

The complaint of over-trading on the Bombay Stock Exchange is real, and may be attributed largely to the defects in the existing rules and regulations. So long as Rules exist whereby the ' Bulls' and the ' Bears ' can be protected as the occasion may require, the danger of over-trading will persist. The right of interference vested in the hands of the Stock Exchange authorities, in the course of free and uninterrupted trading in the market is the cause of all evil, and if this is to be checked, the power to interfere should be withdrawn.

Trade of Bombay.

The Port and City of Bombay had their share in the general recovery of trade in India, marred only by serious communal strife during October, which lingered on almost to the end of the year. The communal quarrel in the City had the natural effect of diverting the business that rightly belongs to Bombay to other parts of India. Political differences there are in every country, but there appears to be hardly any excuse for the recurrence and prolongation of communal disturbances

ni the premier City of India, where Police oraganization and other means of resistance are sufficiently strong and near to hand to prevent an outbreak, provided they are readily and efficiently employed. In the course of the past decade, it may be recalled, this is the third occasion when communal strife has disturbed the peace of the City, besmirched its good name and disorganized the normal flow of trade. It is sincerely hoped that the leaders of the two communities and the citizens of Bombay in general will do their best to maintain amicable relations between the communities, and that Government will adopt a firm attitude in curbing any violent outbreak of communal antagonism. It should be realised that the loss and injury to human life in such circumstances are incalculable and that trade and commerce on which the future of the City and its citizens depend are permanently diverted to other centres.

Except for this trade and industry of Bombay showed marked improvement. The amicable settlement arrived at by the Government of India with the Kathiawar Ports and the strict control at the customs cordon have tended to restore the lost position of the Port of Bombay. The formation of Sind as a separate administrative unit should help to restore the Government of Bombay's financial equilibrium and thereby improve the general position of industry and trade of the Province. It may also be hoped that in not too distant a future the Government of India will be able to give effect to the recommendations made by Sir Otto Niemeyer regarding the percentage distribution of taxes on income for the use of Provincial Governments. As far as Bombay Presidency is concerned, taxes on income form a great part of the revenue of the Central Government derivable in all provinces.

The aggregate value of the foreign trade of Bombay in merchandise amounted to Rs. 87.40 crores in 1936 compared with Rs. 87.41 crores in 1935. The export and import of treasure, on the other hand, show a marked change. Export of gold bullion amounted to Rs. 33.16 crores in 1936 as compared with Rs. 49.05 crores in 1935 and Rs. 62.80 crores in 1934. Imports of silver bullion on the other hand were large amounting to Rs. 13⅓ crores in 1936 as against Rs. 1.18 crores in the previous year. The total tonnage of outward shipment cleared from the Port of Bombay was 2,584,196 tons in 1936 as against 2,510,051 tons in the previous year, 2,669,648 in the year before last. The trade statistics of the Port of Bombay during 1936 at Rs. 39.57 crores in merchandise exports show an improvement as compared with Rs. 31.10 crores in 1935 and Rs. 31.37 crores in 1934.

Outlook for 1937.

A definite easing of the international political tension is now visible, though the civil strife in Spain, which threatens to complicate the European political situation still further, has not ended. The aggressive policies of the Authoritarian states have been causing general apprehension and gloomy forebodings about the future. It is, however, remarkable that economic recovery has proceeded apace unhampered by political uncertainties. In Great Britain with the policy of cheap money and the maintenance of internal trade demand, business activity has exceeded the peak of 1929, and it may be confidently hoped that the re-armament programme will prevent any slackening in the near future. In the U.S.A. industrial recovery has made solid progress and business confidence is firmly settled on the belief, that prosperity has come to stay. In these two countries, recovery

has reached a stage when it might develop into a boom, but we hope this time it will not be allowed to bring its nemesis too soon. The most significant event of the year was the devaluation of the gold bloc currencies in September and the Tripartate agreement between Great Britain, France and U.S.A. to which later, Belgium, Holland and Switzerland gave their adhesion. The beneficial results of the long-awaited devaluation are already visible in the growing economic revival in the erstwhile gold bloc countries. With the elimination of currency uncertainties and the loosening of trade barriers, international trade is bound to expand further. Moreover, a very encouraging factor is the long-needed rise in the price of primary commodities. India, together with other primary producing countries, is sure to benefit both from the increase in the volume of international trade and a rise in commodity prices. India's merchandise exports have during the fiscal year 1935-36 increased by 6 per cent and this revival is distributed over nearly the whole range of India's export staples. The real recovery of the primary producing countries has just begun.

As for internal conditions, industrial recovery has advanced a step further and there is no apparent reason why it should suffer a setback. Industrial production has increased, probably with a resultant rise in the margin of profits. Attracted by this as well as by the advantage of cheap money, many new issues saw the light during 1936. But the conditions in the jute industry have been causing anxiety. Provided wiser counsels prevail and uneconomic competition is eliminated, the industry, with its monopolite position and the growing demand for its products all the world over, will again become the spearhead of recovery. The sugar industry is also causing some anxiety owing to the fear of over-production. The time has come when in India internal competition should be regulated and methods of industrial rationalisation vigorously applied. The credit of the Government of India is as high as ever and the inauguration of Provincial Autonomy on April 1, 1937, will cause no financial difficulty. Of course, the cost involved in bringing about the constitutional changes is heavy, but it may be hoped that given prudent management of finances and the assignment from the centre of flexible sources of revenue to the Provinces in a greater measure, any difficulties that may arise will be easily surmounted.

MONEY.

Money remains cheap.

The New Year saw no change of consequence in the money market. Floating funds were in abundant supply over the close of the previous year, short-term loan rates quoting ¼ to ½ per cent. Throughout the first quarter of the year, which is normally the busiest season for export trade, call money rates remained practically unchanged. During January the demand from trade was insignificant, but even though in the subsequent two months it was sizable, the money market experienced no stringency on that account. The supply of short-term funds always remained far in excess of the total demand for call loans. The explanation for this, perhaps, lies in the fact that some of the factors which have contributed to the maintenance of cheap money conditions for the last five years were still operative in a full measure. The export of gold continued though reduced and compared to the corresponding period in 1935 was short by about Rs. 6 crores during the quarter under review. Furthermore the market received large funds through Treasury Bill maturities during the early part of the year; and the proceeds of the £1 million sterling sold to Government every week added to the existing supply. Part of these funds, of course, sought investment in fresh Treasury Bills offered for tenders; but the amount tenderable every week during the period under report was Rs. 1 crore, an amount by no means of such a magnitude as to affect the market to a discernible extent. A surer testimony of the plethoric condition of the market was provided by the fact that Government were able to reduce the rate of acceptance from Rs. 1-1-5 per cent to Rs. 0-8-8 per cent towards the close of March. The fixed deposit rates were more or less stationary, the quotation for three months being 1 per cent and for six months 1¼ per cent.

No change in monetary situation.

During the early part of the second quarter there was no perceptible change in the monetary situation. The inter-bank call rate stood round ½ per cent., though time money was in a slightly greater demand. This was reflected in a rise in the rate of acceptance of Treasury Bill tenders from Rs. 0-8-8 per cent to Rs. 0-12-0 per cent. A further advance to Rs. 0-13-2 per cent was due to the increase in the amount of Treasury Bills offered weekly from Rs. 1 crore to Rs. 2 crores. The offtake of floating funds on this account tended to provide some relief to the extremely easy conditions in the market; but the relief was comparatively negligible inasmuch as the fixed deposit rates slightly declined at the end of April, three months quoting ¾ per cent and six months 1 per cent. Barring a temporary hardening of the call money rates to ¾ per cent in the beginning of May, day to day loans were available at ½ per cent right upto the end of June. Though for nearly a month there were no treasury bill maturities, the market was so glutted with funds that the tenders for Treasury Bills were every week heavily oversubscribed. Government were, in consequence, able to borrow short-term funds at the rock-bottom rate around ½ per cent. It must be recorded that in the last week of May tightness developed for a day, the call rate shooting up to as high as 3 per cent. This was due to the fact that large amounts of floating funds were locked up in the new loan applications. But this firmness disappeared within a short while and call loans were again available at ¾ per cent. In order to avoid putting strain on the market Government discontinued the sale of Treasury Bills from the 27th of May to 30th of June.

Heavy tenders for Treasury Bills.

During the third quarter there was no fundamental change in the monetary conditions. Temporarily the easy trend was broken in the middle of July when money was in better demand and call loans were placed at about 1 per cent. This spurt in inter-bank rate was partially due to the fact that funds were required for squaring up of accounts for the monthly Stock Exchange settlement which was larger than usual. As soon as this requirement was met, the demand for floating funds fell off and call money rate receded to ½ per cent., that is, the original level. Government resumed the sale of three months Treasury Bills of Rs. 1 crore per week from 30th of June, but this provided only a very small outlet for funds as was indicated by the heavy subscriptions for tenders aggregating Rs. 5 crores even at a record low-level of Rs. 0-7-11 per cent. It was, therefore, natural that the market ruled extremely easy during the second half of July when call funds were difficult to place even at ¼ per cent; time deposit rates were quoted at 1 per cent., and 1¼ per cent. for three and six months respectively. The situation remained practically unaltered right till the end of August when it was expected that the absence of Treasury Bill maturities from then onward to the first week of October might relieve the plethoric conditions in the market. Moreover, financing of jute exports was also regarded likely to render money more usable. This expectation was, however, not readily fulfilled as there was no change in the inter-bank call rate during the early part of September. The slackness in seasonal demand for the purposes of trade financing was evident from the fact that there were few borrowers of time money for periods under twelve months. Though the rates showed no change, by mid-September it appeared that money was somewhat more usable. It was noticeable that the Bankers' deposits with the Reserve Bank of India declined from Rs. 36.03 crores at the end of March to Rs. 30.59 crores in the middle of September. Throughout the remainder of the month, money was decidedly in greater demand than during the previous quarters. A further decline was recorded in the Bankers' deposits with the Reserve Bank from Rs. 30.59 crores to Rs. 27.87 crores.

Money remains extremely easy.

Demand for funds remains slack.

In the beginning of the last quarter there was some activity in the "Capital market" and a substantial portion of idle funds was taken off for employment in remunerative channels by new issues. Bankers' deposits with the Reserve Bank dropped to Rs. 24.71 crores. There was, however, no change in the call money rate which was quoted at ½ per cent. as apparently the demand for funds still fell far short of the market supply. Throughout October conditions remained monotonously the same. Renewals of Treasury Bills were offset by maturities. The market received about Rs. 1.33 crores every week through the sale of £1 million sterling to Government, which resulted in a net influx of that amount of funds into the market. Fixed deposit rates were ¾ per cent. and 1¼ per cent for three and six months respectively.

Activity in the "Capital Market."

The monetary situation remained unchanged during the first half of November, call funds being available at ½ per cent. Despite the approach of the export season, demand from trade was almost negligible; and Treasury Bills, which ordinarily offer a better return towards the close of the year, were allotted at an average rate of Rs. 0-10-10 per cent. In the middle of the month, however, call money rates hardened

Call funds available at ½%.

to 1 per cent. Money was more usable first owing to the incidence of settlements in the share and bullion markets and later due to financing of large shipments of gold. Heavy withdrawals against cash credits, for financing internal crop movements also helped to harden money rates. This tendency was reflected in a slight rise in the average rate of acceptance of the Treasury Bills to Rs. 0-12-0 per cent. Fixed deposit rates improved slightly, three months money being placeable at 1¼ per cent and four to six months at 1½ per cent. With the passing of these incidental factors, money was again easy during the closing week of November when floating funds were available at ½ per cent. Every week Treasury Bill renewals were offset by maturities, but the market received each week about Rs. 1.33 crores through the sale of £1 million sterling to the Government. Fixed Deposit rates at the end of the month were 1 per cent for three months and 1¼ to 1½ per cent., for six months.

Slight improvement in fixed deposit rates.

In the first week of December money was in good demand and day to day loans were quoted at 1 per cent. An improvement in the Treasury Bill rate from Rs. 0-12-0 per cent. to Rs. 0-13-11 per cent on the 1st and to Rs. 0-14-10 per cent on the 8th of December indicated that a growing demand from trade for financing of crop movements had rendered money more usable. Fixed deposit rates also improved by nearly ¼ per cent. Throughout the remainder of the month, money continued to be in good demand, and in the middle of December call loans were quoted at as high as 1¼ per cent. Furthermore, three months' Treasury Bills of 21st inst., were discounted at Rs. 1-1/16 per cent. It was nearly after 11 months that the return on Treasury Bills exceeded 1 per cent. Renewals of Treasury Bills were offset by maturities every week. Towards the close of the year demand for money was maintained and day to day loans were placed at as high as 1½ per cent. The year-end requirements of the Banks also contributed to the hardening tendency in the money market. Treasury Bills were discounted at an average rate of Rs. 1-2-0 per cent. on the 30th of December. Fixed deposit rates at the close of the year were :—three months at 1½ per cent and six months at 2 per cent.

Demand for money improves.

STATEMENTS OF THE RESERVE BANK OF INDIA.

(Banking Department).

The statement issued by the Banking Department of the Reserve Bank of India at the opening of the year showed a capital of Rs. 5 crores and a Reserve fund of an equivalent amount. Among the items of Liabilities, Government deposits stood at Rs. 6.47 crores and Banks deposits at Rs. 32.69 crores, an increase of Rs. 4.52 crores over the close of last year. Other Liabilities totalled up to Rs. 129.65 lacs. On the Assets side, the banking department held notes and rupee coin to the extent of Rs. 21.80 crores and Rs. 7.04 lacs; balances held abroad amounted to Rs. 17.07 crores and Loans and Advances to Government were Rs. 6 crores, which showed an increase of Rs. 4 crores over the turn of the year. Investments stood at Rs. 5.29 crores. During the two subsequent weeks, Banks deposits showed an increase of Rs. 4.19 crores during the week ending the 10th and a decrease of Rs. 2.57 crores during week ending 17th January. Loans and advances to Government amounted to Rs. 8 crores, a further increase of Rs. 2 crores, but Government repaid the total amount of Rs. 8 crores during

Opening balance in Banking Department.

the three succeeding weeks of the month, bringing the outstandings under this head to nil. Notes held in the Banking department were up by Rs. 5.33 crores over the month from Rs. 21.80 to Rs. 27.13 crores.

Notes held decline.

In the opening week of February, Deposits on Government account were up by Rs. 42 lacs and those of the Banks by Rs. 162 lacs. The amount of notes held declined by Rs. 3.19 crores to Rs. 23.93 crores. Government borrowed Rs. 5 crores from the Bank in the first week, but repaid Rs. 3 crores during the following week. Balances held abroad showed an increase of Rs. 1.27 crores to Rs. 20.58 crores in the second week, while Banks deposits declined by Rs. 1.16 crores to Rs. 35.25 crores. In the third week, notes held by the Banking department were up by Rs. 1.24 crores to Rs. 25.67 crores, while balances held abroad were down by Rs. 69 lacs to Rs. 19.89 crores. Government deposits and Banks deposits showed an increase of Rs. 54 lacs and 25 lacs respectively. During the last week, Government repaid further Rs. 2 crores bringing the outstandings under Ways and Means advances to nil. This resulted in an increase of Rs. 2.1 crores in the notes held to Rs. 27.78 crores. Government deposits were up by Rs. 89 lacs to Rs. 7.49 crores at the end of February.

Further drop in Notes held.

During the week ending 6th March, Government borrowed Rs. 4 crores against Ways and Means advances from the Reserve Bank, but re-imbursed the bank with an equivalent amount over the three subsequent weeks of the month. During the first half of March notes held by the Banking department were down by Rs. 4.06 crores to Rs. 23.71 crores, but increased to Rs. 26.76 crores over the second half of the month. Balances held abroad showed a net increase of Rs. 2.90 crores to Rs. 23.08 crores. On the Liabilities side, Banks deposits were up by Rs. 1.14 crores during the first week, and after a fractional decline of Rs. 15 lacs during the second week, advanced again by Rs. 1.22 crores to Rs. 37.54 crores, but again receded to Rs. 36.03 crores at the close of the month. Governmens deposits increased sharply by Rs. 2.34 crores during the week ending 27th March to Rs. 8.56 crores. It might be noted that for the first time since its inauguration, the Reserve Bank discounted internal bills to the extent of Rs. 25,000 in the week ending 20th March.

Government and Bank Deposits decline.

In the opening week of April, Banks deposits declined by Rs. 1.23 crores to Rs. 34.79 crores with a corresponding recession in notes held by the Banking department from Rs. 26.76 crores to Rs. 25.53 crores. Government Deposits were down by Rs. 69 lacs, while balances held abroad declined by Rs. 63 lacs to Rs. 22.25 crores. In the subsequent week, Government borrowed Rs. 4 crores against Ways and Means advances resulting in a corresponding decline of Rs. 3.42 crores in notes held. Deposits on all accounts showed a net decline of Rs. 75.81 lacs during the week ending 17th April. Government borrowed further Rs. 2 crores from the Bank and their outstandings now stood at Rs. 6 crores, while balances held abroad declined further to Rs. 20.09 crores. At the end of the month Government repaid Rs. 2 crores to the Bank resulting in an increase of Rs. 2.26 crores to Rs. 24.58 crores in notes held by the Bank. By the end of April the item of internal bills discounted by the Bank had increased to Rs. 185 lacs.

During the first half of May Government borrowed further Rs. 2 crores bringing the outstandings under Ways and Means advances to Rs. 6 crores. Notes held in the Banking department were up by Rs. 1.34 crores in the week ending 1st May, but declined by Rs. 2.83 crores and Rs. 1.29 crores respectively in the subsequent two weeks. Banks deposits, on the other hand, decreased successively throughout the month from Rs. 34.63 crores on the 1st to Rs. 24.03 crores on the 29th of May, indicating that banks were finding money more usable. Government reimbursed the Reserve Bank with Rs. 4 crores and Rs. 2 crores respectively during the last two weeks of the month, reducing the outstandings under Ways and Means advances to nil. Notes held in the Banking department consequently increased by Rs. 3.41 crores and Rs. 2.97 crores respectively in the last two weeks. The issue of a 2¾ per cent. rupee loan for Rs. 12 crores by Government resulted in a sharp increase in Government deposits in the closing week of May by Rs. 11.40 crores to Rs. 17.92 crores and an almost corresponding decline in Banks deposits by Rs. 8.36 crores. Balances held abroad were reduced by Rs. 2.57 crores on the 1st of May to Rs. 16.84 crores, but with fluctuations during the month closed at Rs. 15.30 crores. At the end of May the item of "Bills discounted by the Reserve Bank" stood at Rs. 2.39 lacs.

Banks' deposits decline continuously.

Throughout June Government took no advances from the Reserve Bank against Ways and Means. Government deposits after declining from Rs. 17.92 crores to Rs. 15.03 crores in the opening week improved again to Rs. 15.44 crores and receding slightly during the subsequent week, closed at Rs. 16.30 crores. Banks deposits increased steadily from Rs. 23.88 crores to Rs. 30.54 crores during the last three weeks of the month. Notes held by the Banking department after declining by Rs. 2.27 crores in the opening week, showed successive increases of Rs. 1.73 crores, Rs. 2.79 crores and Rs. 2.28 crores respectively in the following weeks. During June there was a net increase of Rs. 1.21 crores in the balances held abroad.

Government do not borrow against Ways and Means.

During the first half of July Government did not resort to taking Ways and Means advances from the Reserve Bank, but deposits on Government account declined by Rs. 2.55 crores, Rs. 2.17 crores and by Rs. 4.97 crores respectively during the first three weeks of the month. Banks deposits on the other hand showed a net increase of Rs. 2.77 crores during this period. Government again resorted to Ways and Means advances to the extent of Rs. 5 crores during the week ending July 17, while Balances held abroad by the Bank declined successively by Rs. 1.58 crores, Rs. 1.48 crores and Rs. 9.99 crores during the weeks ending 3rd, 10th and 17th July. During the latter half of the month Government repaid Rs. 5 crores to the Bank. After a decline of Rs. 1.04 crores in the opening week, Notes held by the Banking department were up by Rs. 1.44 crores, Rs. 0.60 crores, Rs. 2.89 crores and by Rs. 1.77 crores respectively during the successive weeks of the month. Similarly after a recession of Rs. 20 lacs during the week ending July 3, Banks deposits were up by Rs. 1.59 crores, Rs. 1.18 crores and by Rs. 1.46 crores respectively in the following weeks. Banks deposits recorded a large decline of Rs. 2.07 crores to Rs. 32.50 crores on the last day of the month. There was no appreciable change in Government deposits and Balances held abroad in the closing week of the month.

Government deposits decline.

Loans and Advances increase.

Loans and Advances were up by Rs. 4 crores in the first week of August with a corresponding decline of Rs. 3.49 crores in notes held by the Bank. Government reimbursed the Bank with Rs. 1 crore and Rs. 3 crores respectively during the weeks ending 21st and 28th of August. This resulted in an increase in notes held by the Banking department by Rs. 1.45 crores and Rs. 1.53 crores respectively. Government deposits with the bank were down by Rs. 1.13 crores to Rs. 6.28 crores during the month, while Banks deposits showed a corresponding increase of Rs. 1.08 crores. Balances held abroad showed a net increase of Rs. 16 lacs in this month.

Government deposits increase during latter part.

September opened with a debit balance for Government against Ways and Means of Rs. 3 crores, making an increase of Rs. 2 crores during the week ending 4th September. In the same week Government deposits were up by Rs. 1.24 crores while Banks deposits declined by Rs. 2.99 crores. This was offset by a decrease of Rs. 3.35 crores to Rs. 37.04 crores in the Notes held by the Banking department. Investments of the Bank were down by Rs. 32 lacs and Balances held abroad showed a corresponding increase of Rs. 36 lacs. In the second week of September Government repaid Rs. 2 crores against Ways and Means advances. Government deposits were down by Rs. 90 lacs and Banks deposits by Rs. 61 lacs. On the other hand Notes in the Banking department declined by Rs. 85 lacs. Balances held abroad were again up by Rs. 82 lacs. During the week ended 18th September, Government reimbursed the Bank with the outstanding debit of Rs. 1 crore against Ways and Means. During the latter half of September Government deposits increased successively by Rs. 3.42 crores and Rs. 2.68 crores, while Banks deposits were down from Rs. 29.97 crores to Rs. 27.87 crores. Balances held abroad showed a further improvement from Rs. 4.49 crores to Rs. 6.94 crores. During the week ended 25th September, the outstanding under Internal bills discounted was reduced to nil.

Government deposits fall.

During the first half of October Government deposits showed a net decrease of Rs. 4.31 crores to Rs. 8.41 crores. The note holding of the Banking department declined during this period from Rs. 38.75 crores to Rs. 33.03 crores on the 16th. Balances held abroad were down by Rs. 1.46 crores to Rs. 5.48 crores.. Banks deposits which had decreased by Rs. 3.14 crores during the week ending October 2, were again up by Rs. 1.38 crores in the following week. During the week ending 16th October Government borrowed Rs. 1 crore against Ways and Means with a corresponding decrease in notes held from Rs. 34.24 crores to Rs. 33.03 crores. Government deposits were up by Rs. 58 lacs and balances held abroad increased by Rs. 82 lacs. In the following week the note holding of the Bank further declined to Rs. 31.36 crores, while balances held abroad showed an increase of Rs. 115 lacs. Investments of the Bank declined by Rs. 40 lacs during the weeks ending 16th and 23rd October. During the closing week of the month Government repaid Rs. 1 crore to the Bank against Ways and Means advances, which was reflected in an increase in the note holding of the Banking department from Rs. 31.36 crores to Rs. 32.25 crores. Balances held abroad also increased by Rs. 1.27 crores to Rs. 8.72 crores. Government deposits showed an improvement from Rs. 8.72 crores to Rs. 9.28 crores on the last day of the month.

In the opening week of November Government borrowed Rs. 1 crore against Ways and Means advances. Government deposits as well as Banks deposits were down by Rs. 1.06 crores and Rs. 63 lacs respectively. There was a corresponding decline of Rs. 3.14 crores in the notes held while Balances held abroad were up by Rs. 78 lacs. In the following week, the note holding registered a further drop of Rs. 4.15 crores to Rs. 24.95 crores, which was reflected in a decrease of Rs. 1.59 crores in Government deposits and of Rs. 84 lacs in Banks deposits. During the week ending 20th November, Government had a further recourse to Ways and Means advances from the Bank to the extent of Rs. 1 crore, the total outstanding under this head being Rs. 2 crores. During that period Government deposits were up by Rs. 1.79 crores, while notes held by the Banking department increased by Rs. 1.43 crores. Balances held abroad receded from Rs. 10.76 to Rs. 9.94 crores. In the closing week of November Government reimbursed the Bank with Rs. 1 crore against Ways and Means, leaving a balance of Rs. 1 crore outstanding. Deposits on all accounts were up by Rs. 94 lacs. Notes held and balances held abroad showed improvements of Rs. 1.6 crores and Rs. 1.19 crores respectively. Investments increased during the month from Rs. 5.32 crores to Rs. 5.76 crores.

Notes held decline largely.

During the week ended 4th December, Government borrowed from the Bank Rs. 3 crores against Ways and Means making up a total of Rs. 4 crores. Government deposits were down by Rs. 1.60 crores while Banks deposits improved by Rs. 43 lacs to Rs. 25.36 crores. Balances held abroad rose from Rs. 11.12 crores to Rs. 11.60 crores, while the note holding declined by Rs. 5.21 crores to Rs. 22.22 crores. The second week of December saw a decrease of Rs. 1.69 crores in Banks deposits. The Note holding of the Banking department was lower by Rs. 2.57 crores, while balances held abroad increased by Rs. 1.21 crores. During the week ended December 18, Government reduced the outstandings under Ways and Means by Rs. 1 crore to Rs. 3 crores. Government deposits and Banks deposits declined by Rs. 76 lacs and Rs. 268 lacs respectively during this period. Notes held in the Banking department further declined from Rs. 19.65 crores to Rs. 16.48 crores. During the last two weeks of the year Government reimbursed the Bank with Rs. 3 crores, reducing the outstandings under Ways and Means to nil. Deposits on all accounts increased by Rs. 83 lacs, resulting in an increase of Rs. 2.57 crores in the note holding. Balances held abroad were down by Rs. 1.75 crores to Rs. 14.86 crores. Investments after an improvement from Rs. 5.76 crores to Rs. 6.48 crores during the month, closed at Rs. 6.16 crores. Investments on 22nd May amounted to Rs. 4.79 crores, while at the end of the year they showed Rs. 6.48 crores, an increase of Rs. 1.69 crores during the year.

Further drop in Notes.

STATEMENTS OF THE IMPERIAL BANK OF INDIA.

The year opened with an increase of Rs. 1.15 crores in the total cash holding of the Bank from Rs. 19.72 crores to Rs. 20.87 crores. Loans and Advances were up by Rs. 18 lacs to Rs. 3.07 crores; Cash credits recorded an increase of Rs. 1.35 crores to Rs. 14.90 crores and Bills discounted were up by Rs. 1.81 crores to Rs. 3.77 crores. On the other hand, the total Securities held by the Bank declined by Rs. 4.04 crores to Rs. 45.57 crores. Deposits on all accounts were up by Rs. 70 lacs to

Securities decline.

Rs. 79.17 crores. During the week ended January 10 the Cash balance of the Bank increased by Rs. 4.15 crores to Rs. 25.02 crores, while the total Securities held declined by Rs. 2.26 crores to Rs. 43.31 crores. Loans, Cash credits and Bills discounted were all down by Rs. 12 lacs, Rs. 20 lacs and Rs. 1.60 crores respectively. In the following week there was no appreciable change in either the assets or the liabilities of the bank, but during the week ended 24th January, the total Security holdings of the Bank recorded a further fall Rs. 1.30 crores to Rs. 41.88 crores, while other assets including Loans, Cash credits and Bills discounted and total Cash were up by Rs. 66 lacs. Deposits on all accounts were down by Rs. 65 lacs. In the closing week of January there was a further fall of Rs. 1.22 crores in the total Securities held by the Bank resulting in an increase in the total Cash from Rs. 24.53 crores to Rs. 25.44 crores. Other assets were all up by Rs. 56 lacs. The total of deposits increased by Rs. 36 lacs to Rs. 78.78 crores.

Further drop in Securities.

During the week ended February 7, maturities of Treasury Bills held by the bank resulted in a decline of Rs. 2.39 crores in the Security portfolio, while the Cash balance was up by Rs. 1.86 crores. In the following week the total Cash was down by Rs. 1.23 crores while other assets recorded an increase of Rs. 116 lacs. During the latter half of the month the Security holdings of the bank declined from Rs. 38.30 crores to Rs. 36.97 crores, while other assets were up by Rs. 1 crore. Deposits on all accounts improved to Rs. 78.59 crores.

Securities still drop further.

In the opening week of March total Securities held by the bank showed a decline of Rs. 2.17 crores which was offset by an increase of Rs. 1.29 crores and Rs. 63 lacs respectively in Bills discounted and Cash credits. In the following week, Bills discounted declined by Rs. 1.23 crores, while all other assets showed an increase of Rs. 107 lacs. During the week ended March 20, the Bank's Cash showed an increase of Rs. 102 lacs to Rs. 28.53 crores. This was offset by a decline of Rs. 49 lacs in Securities and Rs. 18 lacs in Loans. Total Deposits improved by Rs. 52 lacs to Rs. 78.95 crores.

Steady increase in Securities.

In the first week of April, Security holdings fell by Rs. 1.15 crores and total Cash by Rs. 1.38 crores. Other Assets were up by Rs. 118 lacs; while on the liabilities side, Deposits on all accounts declined by Rs. 1.44 crores. In the following week, Bills discounted were down by Rs. 80 lacs, while total Cash was up by Rs. 64 lacs. From the third week of April up to the week ended May 22, Securities held by the Bank steadily increased from Rs. 33.57 crores to Rs. 41.37 crores, a rise of nearly Rs. 8 crores, while the Bank's cash balance showed a fall of Rs. 6 crores from Rs. 26.86 crores to Rs. 20.82 crores. Among other assets, Loans were down by Rs. 8 lacs, and Cash credits by Rs. 40 lacs; while Bills discounted showed a net increase of Rs. 45 lacs and Deposits on all accounts were up by Rs. 139 lacs. In the last week of May, the Cash balance of the Bank recorded a sharp decline of Rs. 6.68 crores to Rs. 14.14 crores owing to withdrawal of funds for subscriptions to the New Government of India Rupee loan for Rs. 12 crores. The Security holdings of the bank were up by Rs. 3.68 crores, Loans by Rs. 1.36 crores and Cash Credits by Rs. 39 lacs. On the other hand, Deposits on all accounts declined by Rs. 1.71 crores.

During June the Bank increased its Cash balance from Rs. 14.14 crores to Rs. 20.48 crores, while the Security holdings decreased from Rs. 45.06 crores to Rs. 42.87 crores. The item of Loans showed a fall from Rs. 5.02 crores to Rs. 3.88 crores, Cash credits from Rs. 18.72 crores to Rs. 18.02 crores and Bills discounted from Rs. 3.41 crores to Rs. 2.75 crores. On the other hand, total Deposits were up from Rs. 77.29 crores to Rs. 78.76 crores.

Cash balance increases.

In the opening week of July the cash balance of the Bank declined by Rs. 1.04 crores to Rs. 19.43 crores against an increase in Bills discounted of Rs. 1.07 crores to Rs. 3.82 crores. In the following week, however, the item of Bills discounted declined by Rs. 1.38 crores resulting in an increase in the Cash balance by Rs. 1.49 crores to Rs. 20.92 crores. During the latter half of the month, the total cash was up by Rs. 88 lacs to Rs. 21.80 crores; against a corresponding decline of Rs. 15 lacs under Loans, Rs. 65 lacs under Cash credits and Rs. 44 lacs under Bills discounted. Deposits on all accounts showed a net increase of Rs. 27 lacs.

Drop in Cash balance.

During the week ended August 7, deposits on all accounts increased by Rs. 1.11 crores with a corresponding increase in the Cash balance by Rs. 85 lacs to Rs. 22.65 crores. Other assets were up by Rs. 21 lacs. In the following week total Deposits registered a decline of Rs. 1.29 crores. The Cash balance also fell by Rs. 58 lacs to Rs. 22.06 crores. Loans and Cash credits suffered a fall of Rs. 42 lacs and Rs. 37 lacs respectively. In the third week of August, Bank's cash balance was up by Rs. 1.40 crores, while all Assets declined by a total of Rs. 89 lacs. Deposits on all accounts showed an increase of Rs. 50 lacs.

Deposits increase.

From the last week of August to the first week of October, the Bank's cash balance recorded successive declines amounting to Rs. 8 crores from Rs. 23.46 crores to Rs. 14.96 crores. There was a corresponding rise in the Securities held by the bank from Rs. 43.60 crores to Rs. 52.18 crores. Among other assets, Loans registered a net increase of Rs. 8 lacs, and Bills discounted by Rs. 65 lacs while Cash credits declined by Rs. 80 lacs. Total deposits on all accounts were down by Rs. 53 lacs.

Cash balance steadily declines.

During the weeks ended 9th, 16th and 23rd October, the bank's Cash balance increased by Rs. 2.19 crores to Rs. 17.05 crores, while Securities held by the bank declined by Rs. 2.05 crores to Rs. 50.77 crores. Loans were up by Rs. 40 lacs, while Cash credits and Bills discounted declined by Rs. 114 lacs and Rs. 55 lacs respectively. Deposits on all accounts showed minor changes of no consequence. In the last week of October, Security holdings rose by Rs. 47 lacs and Bills discounted by Rs. 11 lacs. On the other hand, the Cash balance fell by Rs. 31 lacs and Loans and Cash credits by Rs. 27 lacs.

Securities decline.

In the opening week of November the cash balance of the Bank further declined by Rs. 2.67 crores to Rs. 14.06 crores. This was offset by an increase in the Security portfolio of Rs. 1.42 crores and a decrease in the total deposits by Rs. 83 lacs. Among other Assets, Bills discounted and Loans were up by Rs. 52 lacs

Cash balance drops.

and Rs. 16 lacs respectively, while Cash credits declined by Rs. 31 lacs. In the following week Security holdings were down by Rs. 1.89 crores to Rs. 50.77 crores and Bills discounted by Rs. 55 lacs. This was offset by an increase of Rs. 1.30 crores in the Cash balance and of Rs. 93 lacs and Rs. 28 lacs respectively under Loans and Cash credits. During the week ended 20th November, Security holdings and Bills discounted were up by Rs. 1.86 crores and by Rs. 25 lacs, while the total Cash, Loans and Cash credits declined by Rs. 1.14 crores, Rs. 19 lacs and by Rs. 42 lacs respectively. During the closing week of the month the Cash balance improved by Rs. 1.07 crores to Rs. 15.28 crores. This was offset by a decline of Rs. 71 lacs under Loans and Rs. 11 lacs under Bills discounted and an increase of Rs. 60 lacs in Deposits on all accounts.

Further drop in Securities.

During the week ended 4th December, Security holdings of the Bank were down by Rs. 1.79 crores, while the total cash, Cash credits and Bills discounted recorded increases of Rs. 65 lacs, 22 lacs and Rs. 77 lacs respectively. Between the weeks ended 11th December 1936 and 1st January 1937, the Cash holdings of the Bank recorded progressive declines, totalling Rs. 6.78 crores to Rs. 8.86 crores. On the other hand, Securities showed an increase of Rs. 1.62 crores, Loans of Rs. 1.57 crores and Cash credits of Rs. 1.91 crores. Bills discounted showed a net increase of Rs. 60 lacs. Deposits on all accounts declined from Rs. 78.87 to Rs. 77.98 crores.

GOVERNMENT DEPOSITS.

Deposits decline.

The credit balance of the Government with the Reserve Bank of India in the beginning of the New Year was Rs. 6.47 crores, but in the week ending 10th January it declined by Rs. 88.73 lakhs to Rs. 5.58 crores. In the middle of the month, however, there was an increase of Rs. 64.81 lakhs to Rs. 6.23 crores despite the fact that Treasury Bill maturities amounted to Rs. 2 crores and Government bought £1 million sterling during the week. Revenue returns at this time of the year are usually substantial and this explains the rise in the Government deposits with the Bank. There was a further rise of Rs. 65.66 lakhs in the third week, but at the end of January, Deposits declined by Rs. 98.97 lakhs to Rs. 5.89 crores. During the last week there were heavy Treasury Bill maturities amounting to Rs. 4 crores.

Increase in balance.

During the first two weeks of February Government deposits increased on balance by only Rs. 15.33 lakhs owing chiefly to the Treasury Bill maturities with no renewals and a purchase of £1 million sterling every week. In the latter half of February there was still further rise by Rs. 143.74 lakhs to Rs. 7.48 crores.

Further improvement in balance.

March saw a decline of Rs. 80.70 lakhs in the Government deposits occasioned probably by payment of Treasury Bill maturities with no renewals and a purchase of £165,000 sterling during the first week. In the subsequent two weeks there was a further contraction of Rs. 46.30 lakhs. Government resumed the sale of three months' Treasury Bills to the extent of Rs. 1 crore but maturities aggregated Rs. 2 crores every week in addition to purchase of £1 million sterling. During the last week of March, however, Government deposits improved by Rs. 234.20 lakhs to Rs. 8.56 crores.

There was a decrease of Rs. 69.51 lakhs in the credit balance of the Government in the beginning of April; and a further decline of Rs. 119.69 lakhs took place during the two weeks ending 17th April. The amount of tenders for three months Treasury Bills was raised to Rs. 2 crores on 21st April and Government deposits during the latter half rose by Rs. 48.67 lakhs to Rs. 7.15 crores at the end of the month.

Deposits decline.

There was a small rise of Rs. 7.45 lakhs in the first half of May. From 15th of May upto about the middle of June there were no Treasury Bill maturities. There was a decline of Rs. 71.27 lakhs in the third week, but at the end of May, Government deposits showed a substantial rise of Rs. 11.41 crores to Rs. 17.92 crores because of the subscription for the New Rupee Loan.

Substantial rise in deposits.

In the beginning of June Government deposits showed a shrinkage of Rs. 227.37 lakhs to Rs. 15.03 crores. But in the week ending 12th June there was an improvement of Rs. 40.87 lakhs though in the following week the balance showed a recession of Rs. 40.05 lakhs to Rs. 15.04 crores Treasury Bill maturities amounted to Rs. 2 crores during the period. After a lapse of about five weeks, Government resumed the sale of Treasury Bills in the last week of June. Government deposits at the end of the month showed a rise of Rs. 126.18 lakhs to Rs. 16.30 crores.

Deposits shrink.

There was a substantial fall of Rs. 9.70 crores to Rs. 6.60 crores in Government deposits between the period from June 26th to July 17th. In the subsequent week, however, the deposits showed an improvement of Rs. 43.23 lakhs but at the end of July they were again reduced by Rs. 34.45 lakhs to Rs. 6.69 crores.

Further large drop.

Government deposits dropped further by Rs. 27.92 lakhs in the first week of August. In the following week, a rise of Rs. 100.93 lakhs was registered in this item, but during the latter half of August deposits again declined by Rs. 113.90 lakhs to Rs. 6.28 crores.

Small changes.

In the first week of September Government deposits were replenished by Rs. 124.30 lakhs to Rs. 7.52 crores; but in the week ending the 11th, there was a decline of Rs. 90.69 lakhs. In the subsequent two weeks the deposits recorded a substantial rise of Rs. 6.11 crores to Rs. 12.72 crores. It may be noted that during the whole of the month under review there were no Treasury Bill maturities.

Substantial rise in deposits.

In the two weeks ending 2nd and 9th of October there was a large reduction amounting to Rs. 430.93 lakhs under this head to Rs. 8.42 crores. In the succeeding two weeks there was on balance a rise of Rs. 30.21 lakhs; and with a further increase of Rs. 55.98 lakhs, the credit balance of Government with the Reserve Bank at the end of October stood at Rs. 9.28 crores.

Deposits decline.

Beginning of month requirements caused a decline of Rs. 106.07 lakhs in Government deposits in the first week of November. A fall of Rs. 159 lakhs during the following week was more than compensated by an increase of Rs. 178.73 lakhs on the 20th November. An additional improvement of Rs. 73.66 lakhs in the last week raised the credit balance to Rs. 9.51 crores on the 27th of November.

Further drop in deposits.

Government deposits were again down by Rs. 159.64 lakhs in the beginning of December. There were no movements worth recording in the week ending 11th December, but during the remainder of the month, there was a net decrease of Rs. 51.51 lakhs and the credit balance of Government at the end of the year was Rs. 7.14 crores.

Deposits decline further.

GOVERNMENT BORROWINGS.

At the opening of the New Year the outstanding amount on Government account with the Reserve Bank of India for Ways and Means was Rs. 2 crores. In the first two weeks of January Government borrowed Rs. 6 crores from the Reserve Bank, probably for beginning of month requirements and the total outstanding thus aggregated to Rs. 6 crores. During the latter half of the month these temporary loans were repaid in two instalments of Rs. 3 and Rs. 2 crores, thereby reducing the outstanding under this head to Rs. 3 crores on the 24th. By a further repayment of Rs. 3 crores, on 31st January, the outstanding under this head was nil.

Government borrows large amount.

In the first week of February, Government borrowed Rs. 5 crores for Ways and Means, but this amount was reduced to Rs. 2 crores by repayment of Rs. 3 crores in the subsequent week. Government repaid the outstanding balance of Rs. 2 crores to the Reserve Bank of India in the last week of February reducing the outstanding to nil at the end of the month.

Advances completely liquidated.

In the first week of March, Government borrowed Rs. 4 crores for Ways and Means purposes, but repaid Rs. 1 crore in the second week, thereby reducing the outstanding to Rs. 3 crores. A further repayment of Rs. 1 crore in the following week left a balance of Rs. 2 crores, which was fully repaid by the end of March.

Government borrows again.

Government, however, again took a loan of Rs. 4 crores from the Reserve Bank for Ways and Means on the 10th of April. This was increased to Rs. 6 crores in the subsequent week, but Government promptly repaid Rs. 2 crores on the 24th, thereby reducing its indebtedness to the Reserve Bank for Ways and Means advances to Rs. 4 crores at the end of April.

Further amounts borrowed.

A loan of Rs. 1 crore from the Reserve Bank for Ways and Means in the beginning of May increased the outstanding under this head to Rs. 5 crores. Government borrowed further Rs. 1 crore in the week ending 8th which augmented the balance to Rs. 6 crores. However, the entire amount was repaid during the last two weeks of the month under review by two instalments of Rs. 4 and Rs. 2 crores, leaving a nil balance at the end of May.

Entire amount repaid.

After a lapse of six weeks (*i.e.*, from 29th May to 10th July) Government borrowed in the middle of July Rs. 5 crores from the Reserve Bank against Ways and Means advances, which was, however, repaid entirely by the end of the month.

Govt. does not borrow for long time.

Advances taken again.

In the first week of August Government took an advance of Rs. 4 crores from the Reserve Bank for Ways and Means, but repaid Rs. 3 crores in the last two weeks of the month and the balance under the head of Loans and Advances to Government stood at Rs. 1 crore at the end of August.

Further amounts borrowed.

A further loan of Rs. 2 crores was taken in the beginning of September which increased the outstanding under this head to Rs. 3 crores. In the subsequent week, however, Government repaid Rs. 2 crores, thereby leaving a balance of Rs. 1 crore, which again was disposed of during the course of the third week of September and Government's indebtedness to the Bank against Ways and Means was nil at the end of the month.

Government abstains again.

In the middle of October, after a lapse of about four weeks Government borrowed again from the Reserve Bank Rs. 1 crore against Ways and Means Advances but the entire amount was liquidated at the end of the month.

Small amounts borrowed.

In the opening week of November Government again took an advance of Rs. 1 crore from the Reserve Bank for Ways and Means adjustments. This amount was further increased to Rs. 2 crores by an additional borrowing of Rs. 1 crore during the week ending 20th November. By the end of the month, however, a portion thereof to the extent of Rs. 1 crore was repaid, leaving the outstanding balance under this head to Rs. 1 crore.

Outstandings liquidated.

Government borrowed Rs. 3 crores from the Reserve Bank in the first week of December against Ways and Means Advances, thereby increasing the outstanding under this head to Rs. 4 crores. The whole of this liability was liquidated during the course of the last three weeks of December and the balance under the head of Ways and Means Advances was nil at the close of the year.

CURRENCY RETURNS.

(Issue Department of the Reserve Bank of India.)

Note issue increases.

In the opening week of January 1936, the amount of total notes issued rose by Rs. 73.08 lakhs against a corresponding increase of Rs. 73.48 lakhs in Rupee coin. Notes in circulation as well as those held in the Banking department rose by Rs. 14.82 lakhs and Rs. 58.26 lakhs respectively. Sterling securities were unchanged at Rs. 66.19 crores, whereas Rupee securities showed a fractional decline by Rs. 0.40 lakhs to Rs. 25.54 crores. In the subsequent week, the total note issue declined by Rs. 69.81 lakhs against a corresponding decline of Rs. 69.75 lakhs in Rupee coin. Notes in circulation decreased by Rs. 282.15 lakhs whereas those held in the Banking department were up by Rs. 212.34 lakhs. On the Assets side, there was a small decline of Rs. 0.06 lakhs in Rupee securities. In the middle of January there was no noteworthy change except that Notes in Circulation declined by Rs. 24.41 lakhs with a corresponding rise in the notes held in the Banking department. During

the week ending 24th January, the total note issue increased by Rs. 35.28 lakhs with a corresponding increase in the Rupee coin. Notes in circulation shrank by Rs. 183.84 lakhs and those held in the Banking department increased by Rs. 219.12 lakhs. Sterling and Rupee securities were unchanged. A further increase in the Rupee coin of Rs. 26.64 lakhs resulted in a corresponding increase in the total notes issued in the last week of January. Notes in circulation declined by Rs. 51.24 lakhs to Rs. 166.78 crores and those held in the Banking department rose by Rs. 77.91 lakhs to Rs. 27.13 crores.

Notes in circulation increase.

The only significant change during the first week of February was an increase of Rs. 288.32 lakhs in notes in circulation accompanied by a reduction of Rs. 319.40 lakhs in those held in the Banking department. Rupee coin decreased by Rs. 31.14 lakhs, which caused a corresponding decline in the total notes issued. There was a slight increase in Rupee securities of Rs. 0.06 lakhs. In the second week, however, with the return of Rupee coin to the extent of Rs. 26.92 lakhs there was an increase of Rs. 27.03 lakhs in the total notes issued. Notes in circulation, declined by Rs. 23.31 lakhs to Rs. 169.44 crores, and those held in the Banking Department increased by Rs. 49.34 lakhs. Rupee securities increased slightly by Rs. 0.11 lakhs. Rupee coin continued to flow into the Bank and a further increase of Rs. 50.29 lakhs, was recorded in the third week of February. Other significant changes during the period were a rise of Rs. 113.04 lakhs in Sterling securities and a decrease of Rs. 112.97 lakhs in Rupee securities. Owing to the influx of Rupee coin to the extent of Rs. 50.29 lakhs the total note issue was augmented by Rs. 50.36 lakhs to Rs. 194.37 crores. Notes in circulation declined by Rs. 73.97 lakhs to Rs. 168.70 crores. and those held in the Banking department increased by Rs. 124.33 lakhs to Rs. 25.67 crores. In the last week of February the total Notes issued rose further to Rs. 194.90 crores against a corresponding return of Rs. 52.44 lakhs of Rupee coin. Notes in circulation further declined by Rs. 157.85 lakhs and those held in the Banking department increased by Rs. 210.64 lakhs to Rs. 27.78 crores. There was no other change of consequence during the period.

Rupee coin flows in.

Further increase in Note circulation.

In the beginning of March a reverse trend was perceptible in the withdrawal of Rupee coin to the extent of Rs. 51.89 lakhs which brought about a corresponding reduction of Rs. 51.69 lakhs in the total notes issued. Notes in circulation rose by Rs. 302.56 lakhs, whereas those held in the Banking department diminished by Rs. 354.25 lakhs. Rupee securities increased slightly by Rs. 0.20 lakhs to Rs. 58.22 crores. In the subsequent week, however, there was an increase of Rupee coin to the extent of Rs. 25.33 lakhs accompanied by a rise of nearly an equivalent amount in the total notes issued. Notes in circulation were augmented by Rs. 77.90 lakhs to Rs. 170.92 crores, and those held in the Banking department diminished by Rs. 52.34 lakhs to Rs. 23.71 crores. During the remainder of the month, a further increase of Rs. 93.09 lakhs in Rupee coin resulted in a corresponding rise of Rs. 93.44 lakhs in the amount of the total notes issued. There was a small increase of Rs. 0.35 lakhs in Rupee securities in the last week of March. Notes in circulation decreased by Rs. 211.11 lakhs to Rs. 168.81 crores and those held in the Banking department increased by Rs. 304.55 lakhs to Rs. 26.76 crores.

No important changes.

During the first half of April, Rupee coin was withdrawn from the Bank to the extent of Rs. 23.96 lakhs and the total Notes issued correspondingly declined by Rs. 23.81 lakhs to Rs. 195.34 crores. Rupee securities increased by Rs. 0.15 lakhs. Notes in circulation increased by Rs. 440.93 lakhs to Rs. 173.22 crores, and those held in the Banking department decreased by Rs. 464.74 lakhs to Rs. 22.11 crores. In the third week of April, however, Rupee coin to the extent of Rs. 10.74 lakhs was returned to the Bank. Sterling securities, which had remained unchanged at Rs. 67.31 crores since February 21, 1936, showed a rise of Rs. 99.84 lakhs, whereas Rupee securities declined by an equivalent amount to Rs. 23.42 crores. Total Notes issued rose to Rs. 195.44 crores. Notes in circulation decreased by Rs. 9.75 lakhs and those held in the Banking department increased by Rs. 20.49 lakhs during the period under review. The only change worthy of record in the last week of April was a shrinkage of Rs. 243.92 lakhs in the Notes in circulation and a rise of Rs. 225.81 lakhs in those held in the Banking department. Rupee coin declined by Rs. 17.11 lakhs, with a corresponding decline in the total Notes issued to Rs. 195.27 crores.

Note issue increases.

In the beginning of May the total Notes issued increased by Rs. 33.25 lakhs against a corresponding rise in Rupee coin. Notes in circulation diminished by Rs. 101.22 lakhs while those held in the Banking department were augmented by Rs. 134.47 lakhs. But in the second week of the month the total Note issue declined by Rs. 57.39 lakhs to Rs. 195.03 crores, chiefly as a result of withdrawal of Rupee coin of an equivalent amount. Notes in circulation rose by Rs. 226.16 lakhs to Rs. 171.94 crores, and those held in the Banking department declined by Rs. 283.55 lakhs to Rs. 23.09 crores. During the remainder of May the total Note issue increased by Rs. 167.82 lakhs against a corresponding increase of Rs. 163.60 lakhs in Rupee coin. Notes in circulation declined by Rs. 6 crores and those held in the Banking department increased by Rs. 7.68 crores. Rupee securities rose by Rs. 4.22 lakhs during the period under review.

Further increase in Note issue against Silver coin.

Early in June, Notes in circulation showed an increase of Rs. 211.56 lakhs, whereas those held in the Banking department contracted by Rs. 227.37 lakhs. There was a fall of Rs. 15.78 lakhs in Rupee coin accompanied by a reduction in the total Notes issued of an equivalent amount. In the second week of June, however, Notes in circulation declined by Rs. 100.84 lakhs to Rs. 167.04 crores, whereas those held in the Banking department increased by Rs. 173.83 lakhs. There was a further influx of Rs. 72.92 lakhs of Rupee coin, and the total Notes issued showed an increase of a like amount. Rupee securities improved slightly by Rs. 0.07 lakhs to Rs. 23.47 crores. The same trend was revealed by changes in the Reserve Bank of India statements during the latter half of June. There was a contraction of Rs. 291.07 lakhs in Notes in circulation and a rise of Rs. 507.91 lakhs in those held in the Banking department. Total influx of Rupee coin into the Bank during the period aggregated Rs. 223.84 lakhs. Rupee securities declined by Rs. 7 lakhs in the last week of June.

Large influx of Rupee coin.

In the beginning of July, Notes in circulation increased by Rs. 166.50 lakhs to Rs. 165.79 crores, while those in the Banking department declined by Rs. 104.12 lakhs to 34.28 crores. There was a further rise of Rs. 62.43 lakhs in Rupee coin to Rs. 63.94 crores. The total Notes issued showed a corresponding rise to

Rs. 200.07 crores. In the week ending July 10, however, Notes in circulation declined by Rs. 115.06 lakhs while those held in the Banking department rose by 144.21 lakhs. Rupee coin continued to flow in, the influx during the period under review being Rs. 29.14 lakhs. Total Note issue showed an increase of an equivalent amount. In the middle of July, an interesting feature was the contraction in the total value of the notes issued, though Rupee coin showed an increase of Rs. 83.31 lakhs. Another change, which really accounts for the situation, was a decrease of Rs. 1 crore in Sterling securities. Notes in circulation declined by 77.28 lakhs, whereas those held in the Banking kepartment rose by Rs. 83.31 lakhs to Rs. 36.33 crores. During the remainder of July a further shrinkage of 323.58 lakhs in Notes in circulation was in evidence; Notes held in the Banking department rose by 466.75 lakhs to Rs. 41.00 crores. There was a further influx of Rs. 142.26 lakhs of Rupee coin which reached the figure of Rs. 66.48 crores. Total Note issue was augmented by Rs. 142.29 lakhs to Rs. 201.62 crores.

Unimportant changes.

There was a substantial rise of Rs. 325 lakhs in Notes in circulation and a shrinkage of Rs. 349 lakhs in Notes held in the Banking Department in the first week of August. Rupee coin decreased by Rs. 24.92 lakhs and in consequence the total Note issue declined by a corresponding amount to Rs. 201.38 crores. Rupee securities showed a small decline of Rs. 0.16 lakhs. There was a further increase of 33.07 lakhs in Notes in circulation in the following week with a decrease of Rs. 9.77 lakhs in Notes held in the Banking Department. During the second half of August, Notes in circulation declined by Rs. 204.43 lakhs and those held in the Banking Department rose by Rs. 298.75 lakhs. Total Note issue rose by Rs. 94.32 lakhs against a corresponding increase in Rupee coin of Rs. 95.40 lakhs to Rs. 67.42 crores. Rupee securities showed a slight improvement of Rs. 1.08 lakhs during the period under report.

Notes in circulation increase.

In the beginning of September, the Note circulation expanded to the extent of Rs. 325 lakhs while the Notes held in the Banking Department decreased by Rs. 336 lakhs to Rs. 37.04 crores. On the Assets side there was a small decrease of Rs. 10.68 lakhs in Rupee coin with a corresponding reduction in the total Note issue to Rs. 202.45 crores. Notes in circulation increased further by Rs. 91.16 lakhs, and those in the Banking Department contracted by Rs. 85.21 lakhs during the week ending 11th September. There was a small return of Rupee coin to the extent of Rs. 5.96 lakhs and the total Note issue rose by an equal amount during that period. In the latter half of September Notes in circulation declined in aggregate by Rs. 185.89 lakhs to 164.46 crores and those in the Banking Department rose by Rs. 257.16 lakhs to Rs. 38.76 crores. Rupee Securities increased by Rs. 2.29 lakhs and Rupee coin rose by Rs. 69.06 lakhs to Rs. 68.06 crores. Total Notes issued were up by Rs. 71.27 lakhs to Rs. 203.22 crores during the week ending 25th September.

Large increase in Notes in circulation.

Notes in circulation showed an improvement of Rs. 538 lakhs during the first two weeks of October and notes held in the Banking Department declined by Rs. 572 lakhs to Rs. 33.03 crores. In the beginning of the month there was a decrease in Rupee coin of Rs. 44.09 lakhs with a corresponding fall in the total Note issue. Subsequently, however, there was an influx of Rs. 10.40 lakhs in Rupee coin and the

total Note issue increased by an equivalent amount to Rs. 202 .88 crores. In the third week of October the only notable change was a further increase of Rs. 167 .42 lakhs to Rs. 171 .52 crores in Notes in circulation coupled with a decline to an equivalent extent in Notes held in the Banking Department. During the last week, however, Notes in circulation declined by Rs. 47 .32 lakhs and those in Banking Department rose by Rs. 89 .26 lakhs. There was a return of Rs. 41 .94 lakhs of Rupee coin which resulted in an increase of a like amount in the total Notes issued. There were no other changes of consequence.

Seasonal changes take place.

The usual tendencies were in evidence during the first half of November. Notes in circulation increased by Rs. 612 .97 lakhs to Rs. 177 .17 crores and those held in the Banking Department declined by Rs. 730 .41 lakhs to Rs. 24 .95 crores. Rupee coins were withdrawn to the extent of Rs. 117 .41 lakhs and total Notes issued declined by Rs. 117 .65 lakhs during that period. There were no other changes worth recording. In the latter half of November, Notes in circulation declined by Rs. 233 .82 lakhs while those held in the Banking Department were up by Rs. 247 .02 lakhs. Rupee coin holdings showed on balance an increase of Rs. 15 .35 lakhs with an approximately equivalent rise in the total Note issue. Rupee Securities decreased by Rs. 0 .15 lakhs during the period under review.

Further increase in Notes in circulation.

There were no significant changes in the issue Department of the Reserve Bank during December except those which were of a recurrent type. Notes in circulation increased persistently from Rs. 174 .83 crores to Rs. 184 .16 crores, an expansion of nearly Rs. 993 lakhs, whereas those in the Banking Department decreased from Rs. 27 .44 crores to Rs. 16 .48 crores during the period from the 27th of November to the 18th of December. Other changes related to the Bank's holding of Rupee coin, which decreased by Rs. 164 lakhs from Rs. 67 .13 crores to Rs. 65 .49 crores. The total Note issue recorded a corresponding decline. Rupee securities declined by Rs. 0 .32 lakhs. In the last week of December, the most important changes were an expansion in the total Note issue of Rs. 4 .72 crores; an influx of Rs. 75 .25 lakhs in the Rupee coin holdings of the Bank, and a rise of Rs. 399 lakhs to Rs. 71 .31 crores in the sterling security portfolio against a decrease in Rupee securities of Rs. 2 .81 lakhs. Notes in circulation at the end of the year aggregated Rs. 191 .99 crores, whereas those held in the Banking Department were Rs. 11 .87 crores.

TREASURY BILLS.

Large Weekly Tenders.

Conditions in the money market continued easy over the turn of the year. In the absence of any sizable expansion in the demand for trade, the floating funds naturally flowed in the only channel of short-term investment—Treasury Bills. Consequently this outlet was practically glutted as was shown in the first week of January when the amounts offered for tenders were Rs. 227 lacs (2nd) and Rs. 382 .50 lacs (7th), the amount accepted thereof being Rs. 2 crores each time. This was largely due to the fact that the amount called for subscription fell short of even the total influx from Treasury Bill maturities which during this period aggregated Rs. 4.08 crores. The rate of acceptance in the beginning of the New Year was Rs. 1-1-5 per cent, but as the offerings continued heavy,

Government were able to reduce the rate to Rs. 0-15-11 per cent. in the second week of January. At the same time the amount offered weekly for tenders was reduced from Rs. 2 crores to Rs. 1 crore with effect from January 21st. This reduction was made probably, because the Ways and Means position of the Government was comfortable owing to the inflow of funds from revenue receipts, which usually come in at a quicker pace during the last quarter of the financial year. At the close of January the rate of acceptance was reduced to Rs. 0-14-0 per cent.

Large tenders continue and rate declines.

There was no change in the monetary situation in February; only the weight of funds grew heavier. In the first week the market received Rs. 4 crores from the Treasury Bill maturities, and at the same time Government discontinued the sale of three months Treasury Bills from 5th February up to the 10th March. The additional maturities, aggregating Rs. 8 crores during this period, together with the proceeds of the sale of sterling to Government every week flooded the market with funds. When Government resumed the offer of tenders for the Treasury Bills of Rs. 1 crore in March, monetary easiness was so great that even a rate of acceptance at Rs. 0-10-0 per cent. attracted heavy subscriptions, and Government were able to gradually reduce the rate to Rs. 0-8-8 per cent. towards the close of March.

Gradual improvement in rates.

April saw slightly steadier conditions in the money market and consequently Government had to raise the rate of acceptance to Rs. 0-12-0 per cent. The amount of tenders offered was unchanged at Rs. 1 crore, while maturities aggregated Rs. 2 crores in the first week. Except in the subsequent week when there was a slight reduction in the rate to Rs. 0-11-10 per cent., Government had to gradually increase the rate of acceptance to Rs. 0-13-2 per cent. in order to attract adequate funds for the tenders, the amount whereof was raised to Rs. 2 crores on April 21. Maturities averaged Rs. 1 crore per week.

Heavy applications cause drop in rate.

Applications for the increased amount of tenders were so heavy, aggregating about Rs. 4 crores every week, that the rate of acceptance was reduced to Rs. 0-11-0 per cent. in the first week of May. Maturities amounted to no more than Rs. 1 crore per week. The subscriptions for Treasury Bills continued to be abundant and in view of the large flow of funds for investment in the Treasury Bills, Government were able to further reduce the acceptance rate from Rs. 0-11-0 per cent. to Rs. 0-8-0 per cent. in the second week of May. From the middle of May upto the middle of June, there were no Treasury Bill maturities, and towards the close of May money was slightly stringent, owing to the lock up of large amount of funds in the New Loan applications. Government, therefore, rejected all the applications for Treasury Bills on the 26th of May and discontinued the sale thereof from the 27th of May to 30th of June 1936. During the first half of the year Rs. 25 crores of Treasury Bills were issued while maturities amounted to Rs. 39 .87 crores, and the outstandings on the 30th of June were Rs. 13 crores.

Sale discontinued.

Sale resumed.

After a lapse of about five weeks the sale of three months' Treasury Bills was resumed in the beginning of July. Total tenders amounted to over Rs. 3 crores, of which Rs. 2 crores were accepted at an average rate of Rs. 0-13-0 per cent. On the

other hand, maturities amounted to Rs. 1 crore. With the plethora of funds seeking investment, it was possible for the Government to reduce the average rate of acceptance to Rs. 0-10-11 per cent. in the second week and further to Rs. 0-7-11 per cent. on 31st July. Total applications averaged Rs. 4 crores every week, of which Rs. 2 crores were accepted. Maturities amounted to Rs. 1 crore each on the 10th and 17th of July and to Rs. 2 crores in the subsequent week.

Lowest rate on record touched.

In the first week of August, money was exceedingly cheap and three months' Treasury Bills fetched only Rs. 0-6-11 per cent. the lowest rate on record for the year. Maturities of Rs. 2 crores were offset by renewals. Thereafter although there was no change in the money market, the return on the Treasury Bills was raised gradually to Rs. 0-8-0 per cent. at the close of the month, but the amount accepted was offset by maturities of Rs. 2 crores. From the end of August right upto the first week of October there were no Treasury Bill maturities.

Rate gradually improves.

In the second week of September the average rate of acceptance was raised to Rs. 0-8-9 per cent. Total tenders of Treasury Bills averaged about Rs. 2½ crores, out of which Rs. 2 crores were accepted. It might be of interest to note that Treasury Bills outstanding at the end of March were Rs. 12 crores and in the middle of September, aggregated Rs. 22 crores. After mid-September the demand for money gradually revived, and the amount tendered averaged below Rs. 3 crores every week. Government had to attract funds for their short-term requirements by slightly raising the average rate of acceptance to Rs. 0-11-6 per cent. at the close of September.

Money remains steady.

In the first week of October the market again received Rs. 2 crores from Treasury Bill maturities, but with continued good demand for money, Government had to steadily increase the average return on Treasury Bills. With the improvement in the return, Treasury Bill tenders drew about Rs. 2.75 crores every week, of which Rs. 2 crores were accepted. In the middle of October, however, monetary ease was again in evidence and Government were able to get their funds at a cheaper rate, the average rate of acceptance being Rs. 0-11-10 per cent. As the amount tendered was barely sufficient for the Treasury Bills offered, Government had again to increase the rate of return to Rs. 0-12-0 per cent. in the third week of October. At this rate applications aggregated over Rs. 4 crores a week, of which Rs. 2 crores were accepted. The renewals were offset by maturities of Rs. 2 crores. Naturally Government, on being assured of more than adequate offerings for tenders, reduced the rate on Treasury Bills again to Rs. 0-11-0 per cent at the end of October.

Monetary situation unchanged.

During the first week of November monetary situation was unchanged; but owing to the revival of trade demand it was expected that the average rate of acceptance for three months' Treasury Bills would have to be raised, though, in fact, it was lowered a little to Rs. 0-10-10 per cent. as against Rs. 0-12-0 per cent. in the previous fortnight. Maturities were offset by renewals. By the middle of November, however, money was in better demand, but the rise in call money rate proved temporary. This had practically no effect on the discount rate of the Treasury Bills. In the third week of November

call loans were again in good demand at 1 per cent. Applications for three months' Treasury Bills on the 17th inst. amounted to a little over Rs. 2 crores, and the rate of acceptance was about ¾ per cent. Thereafter, Government had to gradually raise the rate to Rs. 0-12-10 per cent. in the last week of November, since demand from trade was growing in volume with the approach of the end of the year. Maturities were, during the month under review, offset by renewals, and the market received about Rs. 1.33 crores every week being the proceeds of the sale of £1 million sterling to Government.

Rate of acceptance gradually improves.

In the first week of December a further improvement of .0677 per cent. to Rs. 0-13-11 per cent. in the average rate of Treasury Bills acceptance was indicative of the fact that money was becoming more usable, owing largely to the financing of movements of crops. Even with the enhanced rate, the amount tendered barely exceeded the amount offered for subscription and maturities were offset by renewals. In the two subsequent weeks call money rate hardened to 1 per cent. and consequently, Government had to continue to adjust its average rate of acceptance of Treasury Bills to changing conditions in the money market. The rate was raised to nearly 1 per cent. in the middle of December, and the increased return attracted adequate amount of funds for tenders. When, owing to the end of the year requirements, call money rate rose to 1¼ to 1½ per cent., the discount rate on the three months' Treasury Bills exceeded 1 per cent. to 1 1/16 per cent. In the last week of December, the rate stood at Rs. 1-2-0 per cent., but applications for Treasury Bills amounted to only a little over Rs. 2 crores on the 29th instant, the amount offered for tenders being Rs. 2 crores.

GILT-EDGED SECURITIES.

Market opens dull but steady.

The New Year witnessed no material change in gilt-edged prices. The market was steady owing to cheap monetary conditions; traders, however, displayed hesitancy almost throughout the year owing to the potential danger lurking beneath an apparently calmer European political situation, and this was evident from the backwardation existing in 3½ per cent. Paper ranging between 2 to 3½ annas for every fortnight. The sentiment of the market was slightly better at the opening; 3½ per cent. Paper advanced from Rs. 96-1 to Rs. 96-13 and other scrips showed a fractional rise. 3 per cent. 1951-54 Loan improved from Rs. 101-10 to Rs. 101-13; 4 per cent. 1960-70 Loan from Rs. 110-2 to Rs. 110-6 and 5 per cent. 1945-55 Loan from Rs. 119-6 to Rs. 119-9. The turnover, however, was very restricted, but fresh investment demand showed signs of revival and was maintained right upto the end of the month. The chief factor responsible for the situation was, of course, cheap money.

Steady demand for investment.

A steady demand for investment in almost all scrips continued during the first half of February and owing to shortage of supply, the prices hardened, 3½ per cent. Paper improving to Rs. 97-1. However, arbitrage business done by sales in Bombay and purchases in London in 3½ per cent. Rupee Paper and 3½ per cent. India sterling stock caused the price of Rupee paper to decline from Rs. 97-11 to Rs. 97-2 (11th) and India sterling stocks rose from £97½ to £98 (13th). In the third week, however,

better sentiment prevailed and with good enquiry for investment, 3½ per cent. Rupee Paper gradually improved to Rs. 97-12 (19th). Improvement in the prices of other scrips was slight. Towards the close of the month, gilt-edged showed a firmer tendency, the contributory factor being again the sustained enquiry for investment. Moreover, the appreciation in 3½ per cent. India sterling stocks to £99 was an additional factor in the rise of Rupee Paper from Rs. 97-12 to Rs. 98-4 (27th). Other scrips were in moderate demand. 3 per cent. 1951-54 Loan changed hands at Rs. 103-7 ; 4 per cent. 1960-70 Loan at Rs. 112-14 and 5 per cent. 1945-55 (tax free) Loan at Rs. 119-14.

Prices advance and Market firm.

In the March perspective conditions in this market continued firm, the fresh impetus having been provided by a further reduction in the surcharge on taxes on incomes and also the announcement in the Central Budget that there was no borrowing programme for the next year. Banks were reported to have bought a fair amount. 3½ per cent. Rupee Paper firmed up from Rs. 98-4 to Rs. 99-10 (3rd), but profit-taking resulted and the price receded to Rs. 99-1. There was a proportionate rise in other issues owing to paucity of offerings. The upward spiral in gilt-edged prices was, however, suddenly broken by the news of the re-occupation of the demilitarised zone in Rhineland by the German troops, and the European situation suddenly took a grave turn, and it was feared that this drastic step by Germany may precipitate a European crisis. The local gilt-edged market experienced a sharp fall in prices on " war scare." 3½ per cent. Rupee Paper dropped from Rs. 98-13 to Rs. 96-12 (9th), and other medium and long-dated bonds registered sympathetic declines. 3 per cent. 1951-54 Loan receded from Rs. 103-9 to Rs. 103-2 ; 4 per cent. 1960-70 Loan from Rs. 113-6 to Rs. 112-3 and 5 per cent 1945-55 Loan from Rs. 120-2 to Rs. 119-2. The political uncertainty continued to dominate the market almost throughout the month under review. On the 14th a spate of selling ensued causing a further decline in 3½ per cent. Paper to Rs. 95-9. Subsequently the deliberations of the Locarno Powers in London were reported to have slightly eased the situation, and this re-assuring news went a long way to restore the confidence in the local market. 3½ per cent. Paper firmed up to Rs. 97-6 (20th). Long dated bonds were in good demand once again. 4 per cent. 1960-70 Loan was placed at Rs. 112-5, 5 per cent. 1945-55 Loan at Rs. 119-9 and 3 per cent. 1951-54 Loan at Rs. 102-12. Towards the close of the month a steadier tone was in evidence and the prices were well maintained.

Political situation changes Market outlook.

Prices decline sharply.

The market opened steady during the first week of April. Though the situation created by the German re-occupation of the Rhineland was serious, the fear regarding an immediate outbreak of war was dispelled. With the improvement in sentiment the factors which had contributed to the strength of the market reasserted themselves. This was shown by a sharp rally in prices. 3½ per cent. Rupee Paper advanced from Rs. 97-3 to Rs. 98-7 (7th). The local market during the period under review was above parity over London. Conversion from 3½ per cent. Rupee Paper to 3½ per cent. sterling stock being thus practicable, a fair amount of business was reported to have been put through.

Confidence regained and prices improve.

Market easier.

During the third week of April gilt-edged ruled a shade easier. A small decline in prices was brought about chiefly by the bearish sentiment induced by an increase of 3*d.* to the £ in the British Income-tax which was also responsible for a recession in the price of 3½ per cent. India sterling stocks. 3½ per cent. Rupee Paper declined to Rs. 97-14; other scrips were, however, comparatively steadier. The effect of this was transcient and towards the close of the month under review, prices registered a substantial advance. 3½ per cent. Rupee Paper rose to Rs. 98-9 (27th), and fluctuations in the prices of other scrips were narrow. 3 per cent. 1951-54 Loan moved between Rs. 103-14 and Rs. 103-12; 4 per cent. 1960-70 Loan between Rs. 114 and Rs. 113-11 and 5 per cent. 1945-55 Loan between Rs. 120-3 and Rs. 120-1.

Steady advance in prices.

May witnessed steady advance in the gilt-edged prices. The demand for investment reappeared, and the turnover of business was fair sized. Continued improvement in prices was in evidence, 3½ per cent. Rupee Paper gradually rising to Rs. 98-10. Other scrips also showed a similar trend in values. In the last week of May fresh impetus was given by the announcement on May 23, of the issue of a new taxable 2¾ per cent. 1948-52 Rupee loan for Rs. 12 crores. The loan was well received in the market, and was oversubscribed in five minutes after its opening on the 26th, all in the form of cash. The quotation of the new loan in two days ruled at a premium of three annas. 3½ per cent. Rupee Paper improved to Rs. 99-10 (25th), but declined to Rs. 98-14 on profit taking on the 29th. Prices of medium and long dated bonds were the highest since the beginning of 1935. 3 per cent. 1951-54 loan was quoted at Rs. 105, 4 per cent. 1960-70 loan at Rs. 115-6 and 5 per cent. 1945-55 loan at Rs. 121-2.

Wide fluctuations in rates.

During the first week of June the local gilt-edged market experienced wide fluctuations owing to heavy general selling as a result of a "stay in" strike in Paris, which adversely affected the British and India stocks in London. Traders here were nervous and on liquidation of their holdings, 3½ per cent. Rupee Paper dropped from Rs. 99 to Rs. 98-2 (5th). During the subsequent week, however, the market appeared to regain confidence with the improvement in the strike situation in Paris. 3½ per cent. Rupee Paper advanced to Rs. 99 (11th). On profit-taking, however, the price again gave way to Rs. 98-2 on the 15th. Following however the steady tone of India Sterling stocks in London, the local market revived and 3½ per cent. Rupee Paper improved to Rs. 99-3. Fluctuations in other scrips—medium and long dated—were confined to a narrow range. 3 per cent. 1951-54 loan moved between Rs. 103-8 and Rs. 103-6; 4 per cent. 1960-70 loan between Rs. 115-8 and Rs. 115-0 and 5 per cent. 1945-55 loan between Rs. 120-13 and Rs. 120-8.

Upward trend manifest.

The upward trend in gilt-edged continued throughout July, as funds released through the maturity of Treasury bills since May 22 having accumulated in the market in the absence of renewals by Government, sought investment in gilt edged, short as well as long-term. Furthermore, Government put about Rs. 3½ crores additional during this period through purchases of sterling in the open market by weekly tenders. Confidence in the European political situation was also quickly reviving.

All these factors assured a further rise in gilt-edged and even the resumption of sales of Treasury bills as from July 3, to the extent of Rs. 2 crores a week, did not affect the market trend. 3½ per cent. India sterling stock advanced to £ 99⅜ (16th) and 3½ per cent. Rupee Paper reached par, a rate reached since a lapse of 31 years. The New Loan went to a premium of 12 annas, while 5 per cent. 1945-55 tax-free loan advanced to Rs. 121-1. During the latter half of July, the priees fluctuated narrowly, depending upon international political news, as these were good or bad. The undertone, however, was quite steady largely on monetary situation. 3½ per cent. Paper advanced further to Rs. 100-5 and after receding to Rs. 99-9 (28th) moved back to over par. The premium on the new rupee loan increased to 14 annas and 4 per cent. 1960-70 loan advanced from Rs. 115-2 to Rs. 115-9 but dropped to Rs. 115 in absence of inquiry for the scrip.

Further rise in Gilt-edged.

In the first week of August, the news regarding the deterioration of the European political situation, as a result of Spanish rebellion, caused a certain amount of nervousness in the local market and 3½ per cent. Paper declined to Rs. 99-3 (8th) with 4 per cent. 1960-70 loan down to Rs. 114-12. 5 per cent. 1945-55 tax-free loan receded to Rs. 120-12. Since, however, the local situation particularly, monetary, was not in the least affected by the European difficulties, the prices improved shortly, with the difference that investors preferred to wait and see. Furthermore the issuance of several small loans by local bodies had sufficed to absorb for the time being at any rate, the surplus funds seeking investment. In the last week of August, the news from the Continent were again bad and 3½ per cent. Paper declined on sales by bears to Rs. 99-4 (24th), at which level there was good general buying with the result that the rate advanced to Rs. 99-12. Other scrips, however, were practically unaltered.

European situation causes nervousness.

Early in September, advices from London were more encouraging, where both British and India stocks showed a hardening tendency. There was renewed investment inquiry in the local market and as a result prices improved all round. 3½ per cent. Rupee Paper touched almost par and 5 per cent. 1945-55 tax-free loan advanced to Rs. 121-2. 2¾ per cent. New Loan found buyers at Rs. 101-4 and 4 per cent. 1960-70 loan improved to Rs. 115-9. The progress, however, was retarded by the renewed scare of a financial crisis in France. The franc was actually devalued 30 per cent. on September 26 and investors held back once again in the belief that the devaluation of the gold bloc currencies would lead to at least partial repatriation of foreign funds from Great Britain, thus adversely affecting the gilt-edged. Interminables and long-dated stocks were the worst sufferers, which declined by about 1 per cent. in the London market; 3½ per cent. Rupee Paper dropped to Rs. 98-13 (29th).

Situation improves.

The situation, however, was not as bad as pictured and the London market turned steadier immediately. The local market quickly responded and 3½ per cent. Paper advanced sharply to Rs. 99-6 (30th). Medium term scrips moved narrowly, but were steady on the whole.

Prices advance.

Undertone steady.

Throughout October, the undertone of gilt-edged remained very steady and the market under the influence of cheap money disregarded the daily varying reports of international political situation. There was good investment inquiry in all scrips and prices were well maintained with 3½ per cent. Paper round about par. At the end of the month 3½ per cent. Paper was quoted at Rs. 100-7, while the 2¾ per cent. New Loan stood at Rs. 1-4-0 premium. 5 per cent. 1945-55 tax-free loan advanced to Rs. 121-8, while 4 per cent. 1960-70 loan was quoted at Rs. 115-15.

Further improvement in rates.

There was yet a further improvement in rates during the first half of November on continued buying inquiry in a market poorly supplied with stocks. The backwardation on 3½ per cent. Rupee Paper for a fortnight widened to about 4 annas and the quotation advanced on bear covering to Rs. 100-15 (6th) this being the highest rate of the year. 4 per cent. 1960-70 loan advanced for the first time to over Rs. 116 and the new loan improved to Rs. 101-7.

Slight reaction.

The announcement on 18th November of a New British Government 2¾ per cent. 1952-57 Funding loan at £98½—on terms somewhat less favourable to the Government than their previous issue on December 2, 1935—had a slightly easier effect on the gilt-edged market in London, with its consequent repurcussion on the local market. Further the return on Government of India Treasury Bills had gradually increased from ½ per cent. to about ¾ per cent. and call loans were in good demand locally at ¾ per cent. as against ½ per cent. 3½ per cent. Rupee Paper declined to Rs. 100-2 and 4 per cent. 1960-70 loan to Rs. 115-7. There were freer sellers in scrips which had hitherto been scarce.

Constitutional crisis in Great Britain.

Early in December the development of a constitutional crisis in Great Britain caused a feeling of nervousness in gilt-edged in the London market with a consequent sharp fall in rates locally. There were sellers in all scrips with buyers holding back. 3½ per cent. India stock declined to £ 98 (3rd) from £99½ while 2½ per cent. British Consols fell by two points to £83. 3½ per cent. Rupee Paper fell sharply to Rs. 98-8 on 3rd, but recovered to Rs. 99-5 on general buying. 4 per cent. 1960-70 loan declined to Rs. 114-14, while 2¾ per cent. New Loan dropped to Rs. 100-14.

Issue settled and prices advance.

The constitutional issue dominated the gilt edged till it was finally settled on the 10th December and prices during this period fluctuated in consonance with the movements in the London market. 3½ per cent. Rupee Paper ranged between Rs. 98-12 and Rs. 99-13 and 3½ per cent. India stock between £97¾ and £98¼. Following the final settlement of the constitutional issue, and with the element of uncertainty which pervaded the market having been removed, the gilt-edged resumed the upward trend and prices came back to almost the level at which they stood before the issue. 3½ per cent. India sterling stock advanced to £98½xx-div. and 3½ per cent. Rupee Paper was quoted at Rs. 100-9 at the close. 4 per cent. 1960-70 loan found good buyers at Rs. 115-6, while 5 per cent. 1945-55 loan improved from Rs. 121-2 to Rs. 121-6 at the finish.

THE RAILWAY BUDGET.

The Hon'ble Sir Muhammad Zafrullah Khan, the Member for Railways, presented his first Railway Budget for 1936-37, to the Legislative Assembly on Monday, the 17th February 1936.

The revised estimates for the year 1935-36, showed a deficit of Rs. 4½ crores against Rs. 5 crores in the previous year, the improvement of Rs. ½ a crore being chiefly due to reduction in interest charges. The above deficit (inclusive of Rs. 2 crores on strategic lines) would be met by a temporary loan from the Depreciation Fund, which would stand at about Rs. 9 crores at the end of the year.

The Budget for 1936-37, estimated a total receipt of Rs. 91¼ crores—an increase of Rs. 1¼ crores over the current year, based on a slight increase in traffic anticipated and alteration in rates and fares made by railways. The total working expenses would amount to Rs. 64½ crores. The deficit on all State Railways in 1936-37, was estimated at Rs. 3½ crores, inclusive of Rs. 2 crores on strategic lines. The balance of the Depreciation Fund at the end of the year would amount to Rs. 11¾ crores and loans from the Fund to meet deficits would amount to Rs. 35½ crores.

The sum provided for works' programme in 1936-37 was about Rs. 10¾ crores. No new construction was proposed. Track renewals accounted for Rs. 5 crores, bridge work for Rs. ¾ crores, other structural work for Rs. 2½ crores and rolling stock for Rs. 3¼ crores. A sum of Rs. 12 lacs was provided for repairs of earthquake damages at Quetta. The programme included the provision of about 1,200 wagons to meet increase in traffic demand.

Regarding the factors accounting for the falling off in earnings, the Hon. Member dealt at length on the following causes :—

(*a*) world depression and the general collapse of commodity prices,

(*b*) striving after self-sufficiency by every country and developement of internal trade and production,

(*c*) increase in motor competition and to a less degree, river and sea competition.

It was also pointed out that two factors—evils of ticketless passenger and undercharging of freight—tended to keep the working expenses at a higher level and for which remedial measures would be sought by amending the Indian Railway Act.

In conclusion, the Hon. Member stated that in the present gloomy conditions, the Indian railways were not an exception, as other railways throughout the world fared no better. Yet the position was by no means desperate. "Given a reasonable improvement in world conditions, regulation of motor transport on a fair competitive basis, a check on further concessions and privileges to railway staff, and legislation imposing an effective check upon ticketless travel, there is a fair chance that the financial position of railways will gradually improve and that they will, within a reasonable period, achieve a sound financial position."

THE BOMBAY BUDGET.

The Hon'ble Finance Member to the Government of Bombay presented the Budget estimates for 1936-37 to the Legislative Council on Monday, February 24, 1936.

Reviewing the financial position of the past year, the Hon. Member reported a net deficit of Rs. 27 lacs for 1935-36 of which Rs. 2 lacs had been anticipated by him at the time of presenting his last budget. The following is an analysis of the accounts for 1935-36 :—

	Rs.
Decreased receipts from land and irrigation	—29 lacs.
Decreased net receipts from civil works (mainly due to repayment of Rs. 8 lacs to the Petrol Tax Fund utilised in 1931-32) ..	— 9 ,,
Net increase in expenditure on General administration	— 8 ,,
Increased receipts from Excise, Forest, Public Health and Industries	+14 ,,
Increased extraordinary receipts	+ 7 ,,
Net deficit (not anticipated)	—25 ,,
Anticipated deficit	— 2 ,,
Total Deficit for 1935-36	—27 lacs.

The actual deficit for the year 1935-36, however, amounted to Rs. 53 lacs, if Rs. 34 lacs of extraordinary receipts realised from the sale of securities held in Judicial funds, and Rs. 8 lacs of extraordinary expenditure incurred to repay to the Petrol Tax Fund were to be excluded.

The Hon'ble Member pointed out at length the inequitous nature of the Meston Award and showed how the finances of the Presidency under this award were insufficient to meet the growing expenditure. The effect of the Award accentuated by the severe economic depression had made the Presidency suffer a total loss of Rs. 146 lacs between 1922-23 and 1935-36 under all revenue heads. This shrinkage had occurred despite extra taxation of about Rs. 79 lacs since the Montagu-Chelmsford Reforms. He, therefore, expressed the need to remove the injustice of the award and allot a reasonable share of revenues from the expanding heads, under the New Constitution.

The Budget estimates for 1936-37 related to the Presidency proper, excluding Sind, which was to be a separate Province from April 1, 1936 under the Reformed Constitution. The separation of Sind will benefit the Presidency proper to a great extent. An analysis of the figures for 1935-36 of Sind showed a deficit of Rs. 76 lacs, and if to this Rs. 22 lacs, being the betterment from the Conversion of the Bombay Development Loan, was added, the total betterment amounted to Rs. 98 lacs. If the revised estimated deficit of Rs. 53 lacs was deducted from this amount, the net surplus would be Rs. 45 lacs.

For 1936-37, the total revenues were estimated at Rs. 12,03,58,000 and expenditure charged to revenues at Rs. 12,03,17,000, leaving a surplus of Rs. 41,000. These estimates took account of the renewal of the Finance Act, 1932, the revenue from which was estimated at about Rs. 25 lacs, for Bombay (excluding Sind).

THE GENERAL BUDGET.

The Hon'ble Sir James Grigg, the Finance Member to the Government of India, presented his second budget for the year 1936-37 to the Legislative Assembly on Friday, February 28, 1936.

The Hon'ble Member had all good news to tell when he showed surplus of Rs. 173½ lacs in the accounts of 1934-35, a surplus of Rs. 242 lacs in the revised estimates for 1935-36 and a surplus of Rs. 205 lacs in the estimates for 1936-37.

Dealing on the actual working for 1934-35, the year showed a surplus of Rs. 495 lacs as against the revised estimate of Rs. 327 lacs, chiefly due to an increase of Rs. 150 lacs under Customs and Excise, Rs. 30 lacs on Income tax, Rs. 24 lacs on Posts and Telegraphs and Rs. 19 lacs on Currency and Mint, counterbalanced by a fall of Rs. 55 lacs on Salt. As agreed by the Assembly to transfer the whole of the unallocated surplus to the Rural Development Fund, the amount set apart was Rs. 281 lacs, of which Rs. 107½ lacs—Rs. 15 lacs for improvement of co-operative movement and Rs. 92½ lacs for grants to provinces on schemes approved by the Government of India—were utilised and there now remains a balance of Rs. 173½ lacs in the Fund.

The Revised estimates for 1935-36 showed a surplus of Rs. 242 lacs against the budgetted figure of Rs. 6 lacs. The revenue excesses were Rs. 353 lacs, made up of Rs. 185 lacs from sugar and Rs. 168 lacs, from all other heads of revenue. An excess of Rs. 40 lacs was expected from Income-tax. The total expenditure increased from the budget figure of Rs. 82.93 crores to the revised estimates of Rs. 84.10 crores—an increase of Rs. 117 lacs.

The budget for 1936-37 was based on a total revenue of Rs. 87.35 crores with an expenditure of Rs. 85.30 crores, thereby leaving a surplus of Rs. 205 lacs. Customs receipts were put at Rs. 54.82 crores, taxes on income at Rs. 17.60 crores, Currency and Mint, at Rs. 81 lacs including the Rs. 65 lacs as Government's share of profits from the Reserve Bank of India. On the expenditure side, interest charges on ordinary debt and on other obligations together were estimated at Rs. 9.20 crores as against the revised estimate of Rs. 10.63 crores in 1935-36. The increase in the Miscellaneous adjustments was due to the provision of subventions of Rs. 108 lacs for Sind and Rs. 50 lacs for Orissa. Civil administration expenses were up by Rs. 64 lacs. The Defence Budget was put at Rs. 45.45 crores of which Rs. 60 lacs was the special provision for reconstructing Quetta and replacing of military stores.

The following table gives the net revenue and expenditure for the year 1934-35, and the estimated revenue and expenditure for 1935-36 and 1936-37, after allowing for the tax remissions and special grants made out of the surplus funds:—

	Nett Revenue.	Nett Expenditure.
	(In crores of Rupees)	
1934-35	80.75	80.39
1935-36	80.64	80.64
1936-37	79.46	79.39

Analysing the sources of revenue and items of expenditure we find the following distribution:—

	1934-35	1935-36	1936-37
Revenue—	(Percentages)		
Customs	62.9	65.3	66.0
Taxes on Income	20.4	19.3	18.3
Salt	8.3	9.1	9.4
Other Sources	8.4	6.3	6.3
Expenditure—			
Interest charges	12.7	13.2	11.6
Defence	55.1	55.7	57.2
Other expenditure	32.2	31.1	31.2

On the subject of Ways and Means, the Hon'ble Member stated that sterling remittance to the Secretary of State which was originally budgetted at £26 million had now been revised to £12 million due chiefly to a large opening balance. During the 10 months up to end of January the total sterling purchases amounted to £29 million, of which £19½ million were shown among the assests of the Banking department of the Reserve Bank. Next year the Bank will be called upon to provide £41 million inclusive of repayment of £16.8 million of 5½ per cent. Stock due 1936–38 without fresh borrowing in London. The provision under "Loans to Provinces" was put at Rs. 5½ crores. No new loan—sterling or rupee—was contemplated in the budget.

Treasury Bill outstandings at the end of March 1935, 1936 and 1937, are shown as under :—

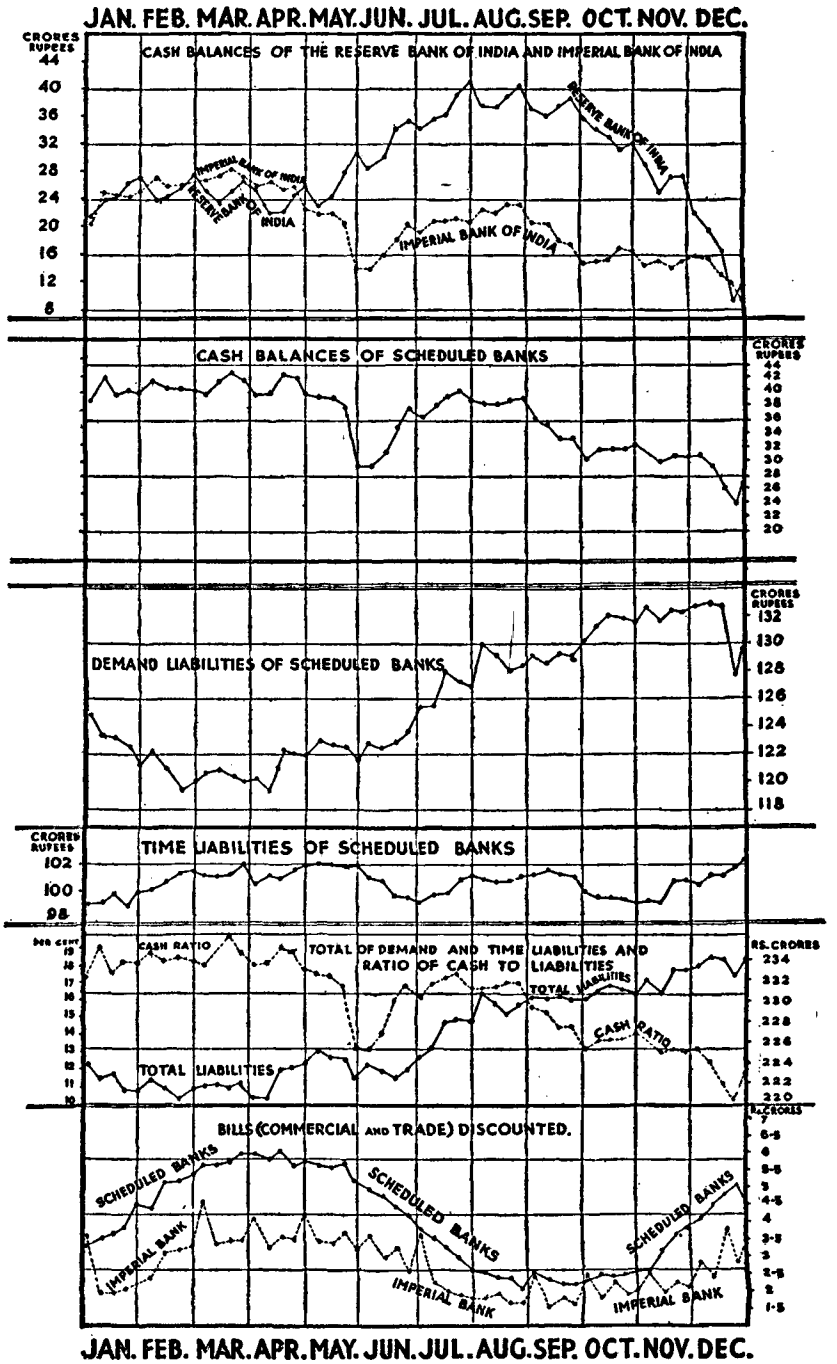
———	March 31, 1935	March 31, 1936	March 31, 1937
		(In crores of Rupees)	
With the Public	18.27	13.99	24.99
With the Reserve Bank of India	36.07	20.10	20.10

In distributing the surplus the Hon'ble Finance Member's allocation was fair. He utilised the expected surplus of Rs. 205 lacs in the coming year by remitting taxation on income to the extent of Rs. 185 lacs and making postal concessions to cost the revenue Rs. 13 lacs.

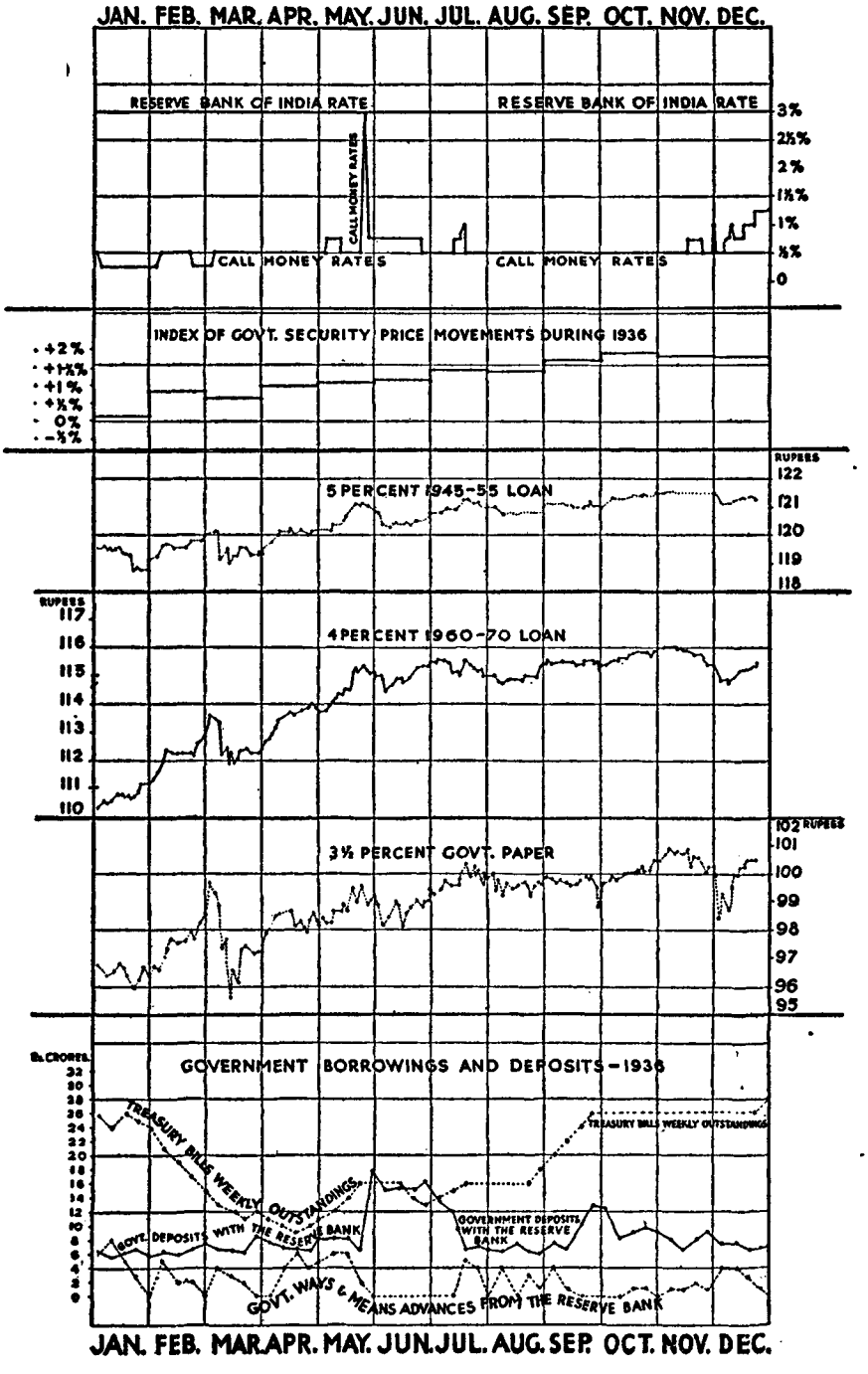
The raising of the limit of taxable income from Rs. 1,000 to Rs. 2,000 was welcome from two points of view. It gave relief to a class of people who needed it most, and reduced the average cost of collecting income tax. If reports current could be relied upon, the net yield from tax on income between Rs. 1,000 and Rs. 2,000 was comparatively very low and the tax was difficult to collect. The reduction in surcharge on income tax and super tax by 50 per cent. was expected to give substantial relief to the business community, and it is hoped that the Hon'ble Member will be able to remove the remainder of the surcharge in the next budget and pave the way for further reductions in the taxation on incomes.

There was, one hint however, in his speech which could not but give rise to resentment in all well-informed circles. The Hon'ble Member hinted that there might be an increase in expenditure on Defence, but looking at the fact that India's Military expenditure is already very abnormal—57.2 per cent.—we have no doubt that the Hon'ble Finance Member himself will strongly resist any increase in the expenditure under this head.

The Budget on the whole was well received, but the country at large cannot be satisfied until further economies are made in the administrative expenses of the country, so that the top heavy taxation can be reduced for the betterment of commerce, industry and above all, agriculture of India. But perhaps the first claim to any surplus funds that would be available as the result of a more economic administration of the country is that of primary education for which there is undoubtedly a dire need.


JAN. FEB. MAR. APR. MAY. JUN. JUL. AUG. SEP. OCT. NOV. DEC.
CASH BALANCES OF THE RESERVE BANK OF INDIA AND IMPERIAL BANK OF INDIA
CRORES RUPEES
44
40
36
32
28
24
20
16
12
8
IMPERIAL BANK OF INDIA
RESERVE BANK OF INDIA
RESERVE BANK OF INDIA
IMPERIAL BANK OF INDIA
CASH BALANCES OF SCHEDULED BANKS
CRORES RUPEES
44
42
40
38
36
34
32
30
28
26
24
22
20
DEMAND LIABILITIES OF SCHEDULED BANKS
CRORES RUPEES
132
130
128
126
124
122
120
118
TIME LIABILITIES OF SCHEDULED BANKS
CRORES RUPEES
102
100
98
CASH RATIO
TOTAL LIABILITIES
TOTAL OF DEMAND AND TIME LIABILITIES AND RATIO OF CASH TO LIABILITIES
TOTAL LIABILITIES
CASH RATIO
RS. CRORES
234
232
230
228
226
224
222
220
BILLS (COMMERCIAL AND TRADE) DISCOUNTED.
SCHEDULED BANKS
IMPERIAL BANK
SCHEDULED BANKS
IMPERIAL BANK
SCHEDULED BANKS
IMPERIAL BANK
JAN. FEB. MAR. APR. MAY. JUN. JUL. AUG. SEP. OCT. NOV. DEC.

MONEY RATES & SECURITY PRICES DURING 1936.



STERLING EXCHANGE.

The sterling exchange market opened firm with sellers of ready T. T. at 1*s.* $6\frac{1}{8}$*d.* and few buyers under 1*s.* $6\frac{5}{32}$*d.* Lack of demand for remittances and a fair supply of export cover against gold was responsible for this situation. Forward rates were also steady, T. T. delivery upto May quoting 1*s.* $6\frac{1}{8}$*d.* Government received heavy tenders for sale of sterling aggregating £46,900,000 at 1*s.* $6\frac{1}{8}$*d.* of which approximately 2 per cent. were allotted. Steady conditions were maintained during the subsequent two weeks, sellers of ready T. T. quoting 1*s.* $6\frac{1}{8}$*d.* and buyers 1*s.* $6\frac{5}{32}$*d.*, occasional business being placed at the middle rate. During this period there was substantial inquiry for remittance in connection with import of silver but this was more than offset by the cover available against export of gold. Forward rates were also steady, though the turnover was restricted. Small merchandise export bills were placed in the local market and in Calcutta. Tenders to Government were very large amounting to nearly £50 million, of which about 2 per cent. were allotted at 1*s.* $6\frac{1}{8}$*d.* During the remainder of January fresh business for export of gold was small and merchandise export bills were almost negligible, but the demand for remittances in connection with imports of silver continued. Consequently towards the end, a shade easier tendency was evident; there being good buyers in the market at 1*s.* $6\frac{1}{8}$*d.* with sellers quoting 1*s.* $6\frac{3}{32}$*d.* There was a noticeable falling off in the amount of sterling tendered for sale to Government in the last week at £1,120,000, of which 89 per cent. were accepted as against 2 per cent., during the previous week, when Government were also able to purchase £300,000 on tap at 1*s.* $6\frac{5}{32}$*d.* Forward rates were quoted at 1*s.* $6\frac{7}{64}$*d.* upto end of April and 1*s.* $6\frac{3}{32}$*d.* for May-June.

Market opens firm.

Tenders very large.

The slightly easier tendency discernible during the last week of January was accentuated in the February perspective. The contributory factors were cheap money conditions, relatively small fresh business in gold for export and persistent inquiry for remittances in connection with silver imports. In the first week of February, sellers of ready T. T. quoted 1*s.* $6\frac{3}{32}$*d.*, with good buyers at 1*s.* $6\frac{1}{8}$*d.* for all deliveries. Tenders to Government were small amounting to £ 345,000 at 1*s.* $6\frac{1}{8}$*d.* which were allotted in full. During the following two weeks, a fair amount of fresh business for gold export was transacted for forward delivery. Moreover, the inquiry for remittances was comparatively small, imports of silver having declined during the period. These factors accounted for a steadier tone of the market. Sellers quoted 1*s.* $6\frac{7}{64}$*d.* and buyers 1*s.* $6\frac{9}{64}$*d.* Merchandise export bills were also placed in small amounts. In consequence Government received tenders to the extent of £14½ million in the middle of February of which 7 per cent. were allotted; and in the third week the tenders amounted to £2.85 million, the allotment thereof being 35 per cent. at 1*s.* $6\frac{1}{8}$*d.* In the last week of the month under review, there was no change in the condition of the market. Tenders to Government were small at £250,000 which were accepted in full at 1*s.* $6\frac{1}{8}$*d.*

Easier tendency.

Market becomes steady again.

The market experienced steady conditions during the first half of March. A moderate volume of fresh business for export of gold for forward delivery was transacted and there was a fair showing of merchandise export bills during this period. The rates were unchanged at 1*s.* $6\frac{7}{64}$*d.* for sellers and 1*s.* $6\frac{9}{64}$*d.* for buyers. Tenders to

Steady tone continues.

Government were small amounting to £165,000 on the 3rd of March and £980,000 on the 11th of March which were allotted in full at 1*s*. 6$\frac{1}{8}$*d*. During the second half of March, market continued steady and the quotations remained unchanged. It was, however, observable that the strength of the market was derived from advices from the outside markets, particularly Calcutta, where Jute bills made a fair showing. A contributory factor was the placing of some merchandise bills in the local market. Fresh business in connection with the export of gold was, however, very small. Government received larger amounts of tenders for sterling : £5,300,000, on the 18th and £16,185,000 on the 25th, of which 19 per cent. and 6 per cent. respectively were accepted at 1*s*. 6$\frac{1}{8}$*d*.

Gold exports increase.

In the April perspective, there was a noticeable recovery in fresh business for export of gold and merchandise export bills also made a fair showing locally. But the main-source of strength was still the Calcutta market. The rates were steady at 1*s*. 6$\frac{7}{64}$*d*. for sellers and 1*s*. 6$\frac{9}{64}$*d*. for buyers in the first week of April. Tenders to Government for sterling continued to be heavy at £16 million, of which 6 per cent. were allotted at the previous rate. The market was steady upto the middle of April and quotations were maintained. In the third week however, sterling exchange was a shade quieter mainly on account of a comparatively large shipment of silver to India coupled with a smaller volume of gold export business. The effect of remittances against shipments of silver from London was perceptible in slightly easier rates towards the end of the month, sellers quoting 1*s*. 6$\frac{3}{32}$*d*., and buyers 1*s*. 6$\frac{1}{8}$*d*. Total tenders to Government amounted to £ 845,000 which were allotted in full at 1*s*. 6$\frac{1}{8}$*d*.

Steady tone maintained.

A steady tone was maintained during the first half of May as voulme of fresh business for export of gold was fair-sized and some merchandise export bills were placed both in local and outside markets. Inquiry for remittances against silver imports was largely offset by gold exports, thus leaving the market fairly square. Tenders to Government were comparatively small aggregating £ 330,000 in the first and £ 125,000 in the second week, which were accepted in full at 1*s*. 6$\frac{1}{8}$*d*.

Quieter feeling.

Sterling exchange was quiet but steady during the second half of May with sellers at 1*s*. 6$\frac{3}{32}$*d*. and buyers at 1*s*. 6$\frac{1}{8}$*d*., business being placed at the middle rate. Fresh business done for export of gold was largely offset by remittances against imports of silver. Tenders to Government amounted to £270,000 on the 27th, which were accepted in full at 1*s*. 6$\frac{1}{8}$*d*.

No change.

Throughout June there was no change in the conditions of the market, rates being practically unchanged. Business done for export of gold was largely for forward deliveries thus leaving the spot market unaffected by it. Towards the end, when business in connection with gold was reduced, the deficiency was made up by a good showing of merchandise export bills. The total amount tendered to Government during this month was £2,495,000 of which £2,250,000 were accepted at 1*s*. 6$\frac{1}{8}$*d*.

Market becomes steady.

July witnessed a steady sterling exchange market, sellers quoting 1*s*. 6$\frac{3}{32}$*d*. and buyers 1*s*. 6$\frac{5}{32}$*d*., occasional business being done at 1*s*. 6$\frac{1}{8}$*d*. Fresh business for export of gold continued small, but there was some showing of merchandise export bills. This situation remained unaltered throughout the month, although fresh business

for export of gold during the second half of the month, had slightly improved. Total amount of tenders to Government aggregated £ 400,000, which were accepted in full at 1*s.* $6\frac{1}{8}$*d.*

Shade quieter.

In the middle of August the market ruled a shade quieter, but the tone was steady and the quotations were practically unchanged at 1*s.* $6\frac{3}{32}$*d.* for sellers and 1*s.* $6\frac{1}{8}$*d.* for buyers, some business passing occasionally at the middle rate. Fresh business for the export of gold was small as also the showing of merchandise export bills. In the subsequent week, sellers of forward T. T. quoted 1*s.* $6\frac{7}{64}$*d.* and buyers 1*s.* $6\frac{9}{64}$*d.* Tenders to Government at 1*s.* $6\frac{1}{8}$*d.* were small, amounting to £ 90,000, which were accepted in full on the 19th. The market regained steadiness in the last week of August on a fair showing of merchandise export bills, particularly in outside markets and sellers of ready T. T. quoted 1*s.* $6\frac{3}{32}$*d.* and buyers 1*s.* $6\frac{1}{8}$*d.* Total tenders to Government during this month aggregated £1,430,000 which were accepted in full at 1*s.* $6\frac{1}{8}$*d.*

No change in quotations.

The market presented the usual features in the opening week of September and the quotations remained unaltered. In the first week there was a fair turnover in gold both for ready and forward deliveries for export and merchandise bills were also placed on a moderate scale. The forward rates were firmer, there being sellers of T. T. at 1*s.* $6\frac{1}{8}$*d.*, for June-July 1937. It was noteworthy that after a lapse of about 12 weeks tenders to Government on the 9th exceeded a million, the amount being £1,830,000 at 1s. $6\frac{1}{8}$d., the allotment whereof was 55 per cent. In the following week sterling exchange was very steady with practically no buyers of T. T. at 1*s.* $6\frac{1}{8}$*d.*, either for spot or for forward. The basic factor in the situation was the large turnover in gold business for export in the previous week, coupled with a moderate showing of merchandise export bills locally and in outside markets. The

Large weekly tenders.

forward rates were firmer, with good sellers of T. T. at 1*s.* $6\frac{1}{8}$*d.*, upto June, July 1937. Tenders to Government exceeded £26 million of which 4 per cent. were allotted at 1*s.* $6\frac{1}{8}$*d.* During the remainder of the month the market continued steady, sellers of ready T. T. quoting 1*s.* $6\frac{7}{64}$*d.* and buyers 1*s.* $6\frac{9}{64}$*d.* Forward rates were also steady. But towards the middle of the last week of September, the undertone of the market was a shade easier, probably owing to some of the banks turning their arbitrage position of gold against U.S.A. dollars and consequently having to offset their previous sales of sterling. The market, however, soon regained steadiness and sellers at 1*s.* $6\frac{7}{64}$*d.* reappeared while buyers quoted 1*s.* $6\frac{9}{64}$*d.* The contributory factor was a good showing of merchandise export bills, particularly in Calcutta, where Jute exports were on the increase. Tenders to Government amounted to £ 34.15 million on the 23rd and £ 27.80 million on the 30th of September, of which 3 per cent. and 4 per cent. respectively were allotted at 1*s.* $6\frac{1}{8}$*d.*

Steady tone continues.

The market continued steady during the opening week of October. The rates were unchanged and the forward rate was also quite steady, T. T. at 1*s.* $6\frac{1}{8}$*d.* being available right upto the end of 1937. Merchandise export bills continued on a moderate scale and a fair amount of gold export business was put through during the period. Tenders to Government for sterling continued large, approximately 3 per cent. to 7 per cent. thereof being allotted at 1*s.* $6\frac{1}{8}$*d.* During the second half of October the market ruled

steady but the volume of business was comparatively small. In the absence of any sizable business for export of gold the undertone of the market was a shade quieter. There was, however, no change in the quotations. Merchandise export bills were placed on a moderate scale, both here as well as in the outside markets. In the closing week tenders to Government amounted to £ 5.1 million as against £ 11.80 million in the previous week owing to the incidence of Pooja holidays in Calcutta, the allotments being to £ 1 million each week, representing 20 % and 8 % respectively at 1*s.* 6$\frac{1}{8}$*d.*

Firm tone prevails.

November saw no change in the sterling exchange market. The tone was steady particularly for forward positions, though the absence of fresh business in gold for export rendered near deliveries a shade quieter. Sellers of ready T.T. quoted 1*s.* 6$\frac{7}{64}$*d.* and buyers 1*s.* 6$\frac{9}{64}$*d.* and business was occasionally placed at 1*s.* 6$\frac{1}{8}$*d.*, for forward deliveries—January to April 1937. Sterling tenders to Government during the period were larger at £ 9,950,000 at 1*s.* 6$\frac{1}{8}$*d.* of which approximately 10 per cent. were allotted. Throughout the remainder of the month the market presented a dull appearance and the quotations remained practically unchanged. During the closing week of November sterling exchange was for a while a shade quieter, but at the end, the market regained steadiness and sellers of ready T. T. quoted 1*s.* 6$\frac{7}{64}$*d.* and buyers 1*s.* 6$\frac{9}{64}$*d.* Forward deliveries from mid-December 1936 to mid-May 1937 were available at 1*s.* 6$\frac{1}{8}$*d.* Sterling tenders to Government continued heavy, the total for the three weeks aggregating £ 112,200,000 of which 2.67 per cent. were allotted at 1*s.* 6$\frac{1}{8}$*d.*

Export bills appear on large scale.

Good demand for money in concert with large showing of merchandise export bills both locally and in outside markets made sterling exchange very steady during the first week of December. Sellers of ready T. T. quoted 1*s.* 6$\frac{1}{8}$*d.*, and buyers 1*s.* 6$\frac{5}{32}$*d.*, small business having been done at the middle rate. Forward rates were however, unchanged, deliveries from mid-December 1936 to mid-May 1937 being available at 1*s.* 6$\frac{1}{8}$*d.* Sterling tenders to Government on the 9th amounted to £ 55 million of which approximately 2 per cent. were allotted at 1*s.* 6$\frac{1}{8}$*d.* Exchange continued very steady during the two subsequent weeks and sellers of ready quoted 1*s.* 6$\frac{9}{64}$*d.* with few buyers at 1*s.* 6$\frac{11}{64}$*d.* The governing factor was the continued good showing of merchandise export Bills. Government were able to get £475,000 sterling on tap at 1*s.* 6$\frac{5}{32}$*d.* during the week ended 18th December. Forward deliveries upto the end of the second half of 1937 were available at 1*s.* 6$\frac{1}{8}$*d.* In the last week a good year-end demand for money and a large showing of merchandise export bills kept the exchange market very steady. Sellers of ready T. T. quoted 1*s.* 6$\frac{9}{64}$*d.* and buyers 1*s.* 6$\frac{11}{64}$*d.* Forward deliveries upto the end of April 1937 were available at 1*s.* 6$\frac{9}{64}$*d.* Government were able to get £1,505,000 on tap at 1*s.* 6$\frac{5}{32}$*d.* during the week ended 25th December. Sterling tenders to Government for the month aggregated £ 278,200,000 of which approximately 2 per cent. were allotted at 1*s.* 6$\frac{1}{8}$*d.*

GOVERNMENT REMITTANCES.

Heavy Tenders.

The New Year saw good conditions in the Sterling exchange market. A fair showing of merchandise export bills and demand for cover against export of gold coupled with an attenuated inquiry for remittances in connection with the imports of silver were responsible for the situation. During the first half of January, heavy amounts aggregating

£46 .90 to £50 million were offered for £1 million sterling tenders of which approximately 2 per cent. were allotted at 1*s.* 6$\frac{1}{8}$*d.* In the latter half of January conditions changed temporarily and a reverse tendency was in evidence. Fresh business in regard to export of gold was small and merchandise export bills were negligible, but the demand for remittances in connection with imports of silver re-appeared in a fair proportion. There was in consequence a noticeable falling off in the amount offered for sterling tenders during that period. Government, however, purchased £300,000 on tap at 1*s.* 6$\frac{5}{32}$*d.* during the week ending 17th of January.

Cheap money, combined with relatively small business for export of gold and the continued inquiry for remittances for silver imports accounted for a slightly easier trend in sterling exchange early in the February perspective. Tenders to Government for £1 million sterling were, therefore, small at £345,000 which were allotted in full at 1*s.* 6$\frac{1}{8}$*d.* in the first week. In the subsequent fortnight, however, inquiry for sterling remittances was on a smaller scale and there was some fresh business for export of gold. Consequently the tenders amounted to about £2 .85 million sterling of which 35 per cent. were allotted at 1*s.* 6$\frac{1}{8}$*d.* In the last week of February, tenders were again small at £250,000 which were accepted in full at the previous rate.

Quieter exchange causes drop in Tenders.

Steady conditions prevailed in Sterling exchange during the first half of March. Good fresh business for gold export was put through and the showing of merchandise export bills was also fair. But there was no perceptible increase in sterling tenders to Government, the amounts offered on the 3rd and 11th of March aggregating only £165,000 and £980,000, which were allotted in full at 1*s.* 6$\frac{1}{8}$*d.* The market continued steady during the remainder of March as a result of a fair showing of jute bills in Calcutta. Government received large amounts of tenders for £1 million sterling during the last two weeks, the respective offerings on the 18th and 25th March being £5,300,000 and £16,185,000 of which 19 per cent. and 6 per cent. respectively were accepted at 1*s.* 6$\frac{1}{8}$*d.*

Large Tenders again.

April saw recovery in business for export of gold and a further improvement in merchandise export bills. Tenders to Government amounted to £16 million, of which 6 per cent. were allotted on the 3rd of April at the previous rate. Government received fairly large offerings during the subsequent two weeks at 1*s.* 6$\frac{1}{8}$*d.* But the effect of larger remittances against shipments of silver from London reflected in the reduced tenders to Government in the closing week of the month. Government purchased £845,000 at 1*s.* 6$\frac{1}{8}$*d.* during that period.

Small allotment.

Fresh business in connection with the export of gold and a good showing of merchandise export bills maintained the steady tone of the market during the first half of May. Tenders to Government were, however, relatively small at £330,000 in the first and £125,000 in the second week of May, these being accepted in full at 1*s.* 6$\frac{1}{8}$*d.* This was, probably, due to the fact that cover against gold exports was largely offset by inquiry for remittances against silver imports. On the 20th of May Government rejected all tenders for sterling, but on the 27th tenders to the amount of £270,000 at 1*s.* 6$\frac{1}{8}$*d.* were received and accepted in full.

Tenders relatively small.

There was no change in the conditions of the Sterling exchange market during the early part of June and fresh business for export of gold was largely for forward deliveries. Consequently tenders to Government continued to be small, the amount offered on 4th June being £150,000 at 1*s*. 6⅛*d*. which was accepted in full. In the middle of the month, however, there was substantial improvement and on the 17th, tenders for sterling exceeded £1 million at 1*s*. 6⅛*d*. During the remainder of June, again, a marked falling off was in evidence and Government were able to buy on balance £ 605,000 at 1*s*. 6⅛*d*.

Full allotment continues.

In July Sterling exchange ruled steady but fresh business in gold export was still small and merchandise export bills were also relatively fewer; consequently tenders to Government at 1*s*. 6⅛*d*. were throughout the month below £1 million sterling. The amount tendered during the second and third weeks of July aggregated £890,000 and £945,000 respectively which were accepted in full at 1*s*. 6⅛*d*. But in the last two weeks, tenders were smaller at £250,000 and £150,000 respectively.

Small supply of Export Bills.

In August the same state of affairs was in evidence, though in the first week tenders to Government amounted to £635,000 which were accepted at 1*s*. 6⅛*d*. In the middle of the month the exchange market was a shade quiter chiefly owing to smaller showing of merchandise export bills and lack of support from fresh business for export of gold. During the remainder of August, tenders to Government were small, being only £90,000 in the third week. There was some improvement in the last week, however, when £410,000 were tendered at 1*s*. 6⅛*d*. Government accepted them in full.

No change in conditions of market.

September witnessed some recovery in fresh business for export of gold both for ready and forward deliveries and merchandise export bills also made a good showing. It was after a lapse of about 12 weeks that tenders to Government on the 9th exceeded £1 million, the amount being £1,830,000 at 1*s*. 6⅛*d*., the allotment whereof was 55 per cent. Throughout the remainder of the month the turnover in gold export business continued large and showing of merchandise export bills was good both in the local as well as in outside markets. Tenders to Government were heavy amounting to £26,335,000 in the middle of the month and £34,150,000 in the third week of September, the percentage of allotment at 1*s*. 6⅛*d*. being 4 per cent. and 3 per cent. respectively.

Gold export revives; large tenders received.

In the October perspective sterling exchange ruled steady, merchandise exports bills made a fair showing and there was good gold export business during this month. Tenders to Government for £1 million were heavy the percentage of allotment again being 4 per cent. and 3 per cent. respectively, during the weeks ending 2nd & 9th of October. Government continued to receive large amount of tenders at 1*s*. 6⅛*d*. during the rest of the month.

Allotment percentage very small.

In the early part of November Sterling exchange was steady on the whole though it ruled a shade quieter owing to the absence of fresh business in gold exports. There was, however, no material falling off in sterling tenders to Government. These continued heavy, the allotment percentage per week varying between 3 per cent. and 2 per cent. at 1*s*. 6⅛*d*. throughout the last three weeks of the month.

Large tenders continue.

Sterling exchange ruled firm throughout December. The governing factor was the continued good showing of merchandise export bills. Tenders to Government for £1 million sterling aggregated every week to over £50,000,000 at 1*s.* 6⅛*d.* the allotment being approximately, in each case, 2 per cent. Government were able to buy on tap £475,000, £1,505,000 and £1,425,000 at 1*s.* 6 5/32*d.* on the 18th, 25th and 31st December respectively.

Firm tone.

Government were able to obtain £39,085,000 by tenders at 1*s.* 6⅛*d.* and £3,805,000 on tap at 1*s.* 6 5/32*d.* during the year.

Total purchases.

FOREIGN EXCHANGES.

The main feature of the foreign exchange market in London over the turn of the year was comparative stability in the exchange rates between sterling and the dollars and sterling and the gold currencies. Early in January the London-New York cross rate ranged between $4.93 and $4.92-13/16 and the London-Paris rate between 74.79 and 74.41 francs. But in the middle of the month sterling tended gradually to appreciate both in terms of the dollar and the gold currencies. The London-New York rate rose persistently to $4.98⅛ and the sterling franc rate moved in sympathy to 74.97 francs. The weakness of the dollar was chiefly caused by the judgment of the U.S. Supreme Court declaring the A. A. A. unconstitutional which was followed by President Roosevelt's announcement extending Gold Reserve Act of 1934 for a further period of one year. Soon after this, a cabinet crisis arose in France which ended in the resignation of the Laval Government. The French franc suffered a sharp relapse and the other gold currencies weakened in sympathy. The discount on three months forward franc increased from 1.9 to 2.375 francs; and the weakening of the gold currencies retarded the recovery in the dollar-sterling rate. Furthermore, the revival of inflationary talk in the U.S.A. towards the end of January and the political troubles in France were responsible for a steadier sterling in terms of the dollar and the gold currencies. The London-New York rate moved up to $5.01 and the London-Paris rate rose to 75.10 francs. The Belga and the Guilder fluctuated between 29.35 and 29.29 francs and 7.29¾ and 7.28¼ guilders respectively.

Sterling steady at opening.

French franc declines sharply.

Appreciation of the sterling in terms of the dollar and the gold currencies was continued in early February. The disturbing influence was the persistence of an inflationary sentiment in the U.S.A. The dollar in terms of sterling gradually declined to $5,02¾. The French franc kept pace with the dollar and dwindled to 75.09 fcs. Gradually however, towards the middle of February, fear of a sudden inflationary move by the President of the U.S.A. was somewhat allayed and the dollar strengthened both in relation to sterling and the gold currencies. The London-New York rate slowly moved back to $4.98-5/16 and the French franc declined sympathetically from 74.93 to 74.62 francs. The Belga and the Guilder fluctuated between 29.36½ and 29.28 and 7.28¼ and 7.26¼ respectively. During the remainder of the period foreign exchanges in London showed narrow movements and the tone of the market was steady. The sterling-dollar rate moved between $4.99-15/16 and $4.98-11/16, the sterling-franc rate ranged between 74·88 and 74.76; while movements in other gold currencies at the close of the month were of no consequence.

Sterling remains steady.

European Political situation causes alarm; Franc depreciates.

Early in March the foreign exchange market evinced signs of weakness chiefly owing to the sudden emergence of a first class political crisis in Europe following the reoccupation of the demilitarised Rhineland by German troops. The holders of the French currency grew panicky and offered francs heavily, which brought about a rise in sterling-franc rate to 74.85. The dollar followed in the wake of the franc for a short while, but the persistent demand for dollars, especially on the Continent, checked the regressive movement in the dollar-sterling relationship. Furthermore, operations of the control in London steadied the market. In the middle of the month, it seemed, a calmer view was taken of the future, as a result of which both the dollar and the franc recovered in terms of sterling. Movements in the cross rates were, however, comparatively narrow. The London-New York rate fluctuated between $4.96-11/16 and $4.98-3/16 and the London-Paris rate between 74.82 and 74.91 francs. Towards the end of the month the French franc again showed weakness, which practically governed the foreign exchange market in London. The franc declined from 74.91 to 75.13 in terms of sterling. The dollar, however, ruled firm in relation to sterling mainly on considerable buying on Continental account.

Franc continues unstable.

Uneasiness regarding the stability of the franc persisted, but the pressure of selling gradually abated and the London-Paris cross rate moved between 75.80 to 74.94 in the first week of April. The Continental demand for dollars was also on a reduced scale. The London-New York rate declined to $4.94⅜. The guilder followed the movements of the franc in relation to sterling while the Belga experienced narrow fluctuations between 29.30 and 29.28½. Throughout the remaining period of April, the foreign exchange market in London experienced steady conditions, though towards the end, the franc was slightly easier. The London-Paris cross rate rose to a shade over 75 francs and the dollar was steady round $4.94.

Socialist Government in France causes weakness of Franc; Bank of France rate raised.

In the May perspective, nervousness regarding the French currency situation was renewed, especially after the results of the French elections were known. Although the new socialists Premier M. Blum gave an assurance that there was no cause for financial panic, large amounts of gold were withdrawn from the Bank of France for shipment to New York and London. Heavy offerings of francs caused a sharp rise in the London-Paris rate to 75.93 francs. The Bank of France once again resorted to the orthodox measures to prevent the flight of capital and raised the bank rate on the 6th of May from 5 to 6 per cent, the loan rate from 6 to 8 per cent. and the rate for advances against gold ingots from 7 to 9 per cent. The Exchange control was reported to have intervened occasionally, but the selling pressure continued unabated. The discount on three months forward francs rose to 5½ francs. In consequence the demand for dollars, mostly on the Continental account, reappeared in substantial proportions. In accordance with the rules of the Gold Standard arithmetic, the sterling-dollar rate moved sympathetically with the sterling-franc rate and rose from $4.93-13/16 to $4.96-11/16. The Belga and the Guilder fluctuated between 29.26 and 29.19 and 7.35 and 7.28⅛ respectively. Uncertainty regarding the future currency policy of the new Socialist Government in France which was to take office early in June persisted throughout May and the pressure on the franc was gradually intensified, mainly on rumours of restrictions imposed by Paris

banks on the sale of gold coins in any foreign currency. A timely and re-assuring statement by M. Blum was responsible for relieving the tension and the franc recovered to 75.25 francs in terms of sterling. The dollar and guilder moved in consonance with the franc. The London-New York cross rate, having declined to $4.92½, reacted to $4.96⅝. But still towards the end of the month, the governing factor in the London foreign exchange market was the weak franc. The London-Paris cross rate during this period advanced from 75.48 to 75.91 francs and the London-New York rate moved from $4.97 to $5.00. No respite was experienced by the franc and other gold currencies during the first week of June. Fluctuations in the quotations for the franc and the dollar in terms of sterling were wide and erratic; and the prominent feature was the persistent depreciation of the dollar in terms of sterling. The London-New York cross rate rose from $4.99-1/2 to $5.03-1/16, the highest point since August 1934. The franc was also subjected to a heavy selling pressure and the London-Paris rate jumped to 76.46 francs. The extension of the stay-in-strike movement in France was also a disturbing factor. In the subsequent week, there was a slight improvement in the sterling-franc rate to 75.81, following the announcement that the programme of the New French government did not include the devaluation of the franc. But this provided no relief and the pressure on the franc was renewed. The franc again slumped to 76.48 in terms of sterling and the dollar moved in sympathy. During the rest of June, foreign exchanges in London experienced wide fluctuations, but the dominant feature was the appreciation of sterling in terms of the dollar and the gold currencies.

Wide fluctuations.

Heavy sales of French francs.

Early in July it appeared that the Blum Government in France was firmly in the saddle and the political situation had considerably improved. But financial confidence was not yet fully restored. Perhaps it was a little undermined in view of the fact that the New Government was steadfastly opposed to devaluation of the franc, but at the same time was determined to carry into legislative effect costly schemes of the front *populaire* programme. There was, however, a temporary lull and the franc showed further improvement, the London-Paris cross rate declining from 76.06 to 75.62. The sterling-dollar rate showed a sympathetic trend with erratic fluctuations. The Belga and the Guilder were steady at 29.68 and 7.36 respectively. This state of affairs lasted till the middle of July, when again the franc suffered a relapse to 76.09 francs in terms of sterling; and the dollar was quoted at $5.03. This weakness, however, proved transitory and the franc improved to 75.75 francs; and the sterling-dollar rate declined to $5.02-11/16. This recovery of gold currencies and the dollar in terms of sterling was maintained throughout the remainder of July. The dollar appreciated both in terms of sterling and the franc, the London-New York rate touching $5.01⅜ towards the close. But at the end, the gold currencies again showed signs of weakness and under this influence the sterling-dollar rate advanced to $5.02¼. The Belga and the Guilder were quoted at 29.73½ and 7.38 respectively.

Socialist Government firmly settled.

The main feature of the foreign exchange market in London in the first week of August was the intensification of weakness of the franc in terms of sterling. The London-Paris cross rate rose to 76.22 and on balance the £ sterling appreciated 1/4 per cent. in Paris during the week. Forward francs were offered at

Franc weakens again.

3⅜ francs discount for three months. The dollar, however, remained firmer being in great demand on the Continent. The London-New York rate was quoted round $5.01½. The Belga and the Guilder fluctuated between 29.80½ and 29.73½ and 7.39½ and 7.38¼ respectively. To the prevalent feeling of uncertainty regarding monetary and financial stability in France was added a gravely disturbing factor which further undermined the confidence of French capitalists and rentiers. The out-break of a civil war in Spain threatened to complicate the European political situation and a state of panic resulted in France causing a further flight of capital. The London-Paris rate advanced to 76.40. The dollar being in persistent demand, remained steady around $5.01-15/16. The political tension throughout August continued unabated and resulted in persistent weakness of gold currencies in terms of sterling. The sterling-franc rate ruled above 76.40 francs; and the weakness of the franc pushed up the dollar-sterling rate to $5.03-7/16.

Situation unchanged.

There was no change in the situation early in September and the gold currencies weakened further in terms of sterling. The franc was the most to suffer. Despite intermittent intervention by the British control, spot francs weakened from 76.40 to 76.85 in terms of sterling, and the discount on three months forward increased from 2.87 to 4.56 francs. The dollar followed in the wake of the franc and the London-New York rate persistently rose to $5.06-3/16. The Belga and the Guilder fluctuated between 29.52½ and 29.81 and 7.48 and 7.42 respectively. The subsequent two weeks witnessed further deterioration in the relationship of gold currencies to sterling, the labour trouble in France being an important disturbing factor. Large shipments of gold were reported from France to New York, aggregating £35 million worth in the middle of September. The franc touched 76.94 francs in terms of sterling on the 14th and the London-New York rate advanced from $5.05-15/16 to $5.06-9/16 The London-Amsterdam rate moved up from 7.46¼ to 7.49½. The further weakness of the gold currencies was partly attributable to the report of the League of Nations Financial Committee which recommended devaluation of the gold bloc currencies at the earliest suitable opportunity. The sterling franc rate rose further to 77.03 and the London-New York rate moved in sympathy to $5.07⅛, while forward francs were quoted at a discount of 7.124 points. In the last week of September the French Government decided to devalue the franc from 65½ mgs. of gold to between 49 and 43 mgs. .900 fine. On this announcement the foreign exchange market in London was in a state of panic on the 26th. The sterling-dollar rate declined sharply from the previous level of $5.05-11/16 to as low as $4.91 and dealings in foreign exchanges in London were suspended on Saturday, the 26th instant. Following the decision of the French Government to devalue its currency, Switzerland and Holland took similar action, and the gold value of the Switzerland franc was reduced by between 25.94 and 30 per cent. The devaluation of the franc was the result of a conference between the representatives of the United States of America, Great Britain and France resulting in a tripartite agreement to end the competitive depreciation of currencies and to ensure greater stability of exchanges for the future. As a result of this pact, the three countries agreed to allow

Discount of forward francs widens.

Large shipments of gold from France.

Franc devalued; Holland and Switzerland follow suit.

freer exchange of goods in future and immediately following the devaluation of the Fr. franc, the French Government took steps to reduce taxes affecting objects of foods of first necessity in order to keep down the cost of living. Belgium, Holland and Switzerland also joined the tripartite agreement while Greece, Latavia and Austria joined the sterling bloc. The London-New York rate recovered later to \$4.93-$\frac{11}{16}$. There was no quotation for the Fr. franc, while the Belga moved between 29.95 and 29.20. The guilder weakened from 7.48 to 9.10$\frac{1}{2}$, the Dutch currency authorities having decided to adopt a managed currency system instead of the Gold Standard.

Sterling weakens; Large demand for U.S.A. dollars.

The outstanding feature in the foreign exchange market in London during the first week of October was the weakness of sterling in terms of the dollar. The London-New York rate declined from \$4.93-$\frac{11}{16}$ to \$4.88-$\frac{15}{16}$. Demand for U.S.A. dollar funds by the Continent of Europe for investment in American scrips was partly responsible for the appreciation of the dollar. The Fr. Bourse was opened on October 2, and free dealings were resumed; the Fr. franc after opening at francs 104 advanced to francs 105.75 early in the week, but gradually declined to 104.81. The decline was partly attributable to bear covering on Fr. francs. The discount on three months forward francs sharply fell from 10.5 to .400 francs. Italy followed the lead of other countries, and devalued the lira. The value of the lira was fixed at 92 to the £ sterling and 19 to the U. S. A. dollar, and its gold content at 4.67 gms. per 100 lira compared with 7.9 gms. Czechoslovakia also devalued the crown by between 10.3 and 18.8 per cent. The subsequent week witnessed a comparatively featureless market. The London-New York cross rate after advancing from \$4.89-$\frac{5}{8}$ to \$4.90-$\frac{7}{8}$ declined to \$4.89-$\frac{1}{2}$, and the London-Paris rate after rising from 104.81 to 105.12 francs declined to 105.01 francs. Towards the close owing to the political tension over Spanish affairs the discount on 3 months forward francs widened from .65 to 1.50 francs, while the spot franc weakened from 105.12 to 105.54 but reacted to 105.06. The London-New York cross rate moved between \$4.89-$\frac{9}{16}$ and \$4.88-$\frac{13}{16}$. The Belga and the Guilder fluctuated between 29.08$\frac{1}{2}$ and 28.98$\frac{1}{2}$ and 9.12$\frac{1}{2}$ and 9.03$\frac{1}{4}$ respectively. The Italian lira varied between 93 and 92.81.

Lira devalued.

Narrow movements.

Early in November foreign exchanges in the London Market were stable and it appeared that the Sterling Franc rate was almost pegged. The London-Paris rate moved between 105.46 and 105.10; the London-New York Cross rate varied between \$4.88-1/16 and \$4.88-7/8. In the second week of the month, however, the notable feature was a rise in the discount on three months forward francs, which rose from francs 2.060 to francs 3.090, spot francs remaining comparatively stable. The sterling-franc rate rose to francs 105.51 but gradually declining to francs 105.09 closed at francs 105.15. The Sterling-Dollar rate persistently declined from \$4.88-11/16 to \$4.87$\frac{1}{4}$ but relapsed to 4.88$\frac{1}{16}$. In the following week, however, the dollar tended to depreciate in terms of sterling on reports that the American Government might put restrictions on foreign funds entering the United States. The sterling-dollar rate rose to \$4.89-3/16, but the sterling-franc rate was steady. Forward francs were in good demand and consequently the discount thereon decreased from francs 3.090 to francs 2.060 for three months. During the last week of November the same tendency was operative. The sterling-dollar rate rose

Stable conditions prevail.

further to $4.90 3/16 probably as a result of sales of American securities by foreign holders, the dollar proceeds being offered on the foreign exchange market. The counteracting factor was a demand for dollars on the Continent mainly owing to the disturbing political situation and in consequence the sterling-dollar rate declined to $4.89-$\frac{5}{16}$ but again advanced to $4.89-$\frac{13}{16}$. The discount on three months forward French francs further decreased from francs 2.606 to 1.120. The spot rate ranged between francs 105.16 and francs 105.10 in terms of sterling. The Belga and the Guider moved between 28.97$\frac{1}{2}$ and 28.92$\frac{1}{4}$ and 9.04$\frac{1}{4}$ and 9.02$\frac{3}{4}$ respectively. The Italian lira was quoted at 93.06.

Slight improvement in sterling.

In the beginning of December the dollar further depreciated in terms of Sterling, probably owing to the persistent liquidation of American securities by foreign holdersl on reports that the U. S. Government was contemplating the imposition of a 10 per cent. tax on profits made by foreigners holding American securities. The sterling-dollar rate advanced as high as $4.91-$\frac{13}{16}$ and later declined to $4.90-$\frac{9}{16}$. Fluctuations in the sterling-franc rate were confined to a narrow range of 3 cents, the highest and lowest rates being francs 105.16 and francs 105.13 respectively. In the second week of December the foreign exchange market in London was influenced by the constitutional crisis in England, and the sterling-dollar rate after opening at $4.90-$\frac{9}{16}$ declined to $4.89-$\frac{9}{16}$ probably on some offering of sterling by Continental holders, who were inclined to convert their sterling balances into dollar ones. In mid-week the rate advanced again to $4.90-$\frac{15}{16}$ on reported improvement in the constitutional situation but declined again to $4.90-7/16. In the meanwhile French francs were steady around francs 105.15. In the middle of the month a large transfer of £65 million sterling worth of gold from the Exchange Equalization Account to the Bank of England and a decrease of £60 million in the fiduciary note issue of the Bank of England were responsible for a steadier sterling in terms of other currencies. The sterling-dollar Cross rate opening at $4.90-7/16 advanced to $4.91-9/16, but French francs were pegged round 105.13. In the third week of December, foreign exchanges were comparatively featureless. The sterling-dollar rate opening at $4.91-7/16, touched 4.90-13/16 but again advanced to $4.91-5/16. French francs were steady, while the Belga and the Guilder fluctuated between 29.06$\frac{1}{2}$ and 29.02 and 8.98$\frac{3}{4}$ and 8.96$\frac{1}{4}$ respectively.

U.S.A. Government action.

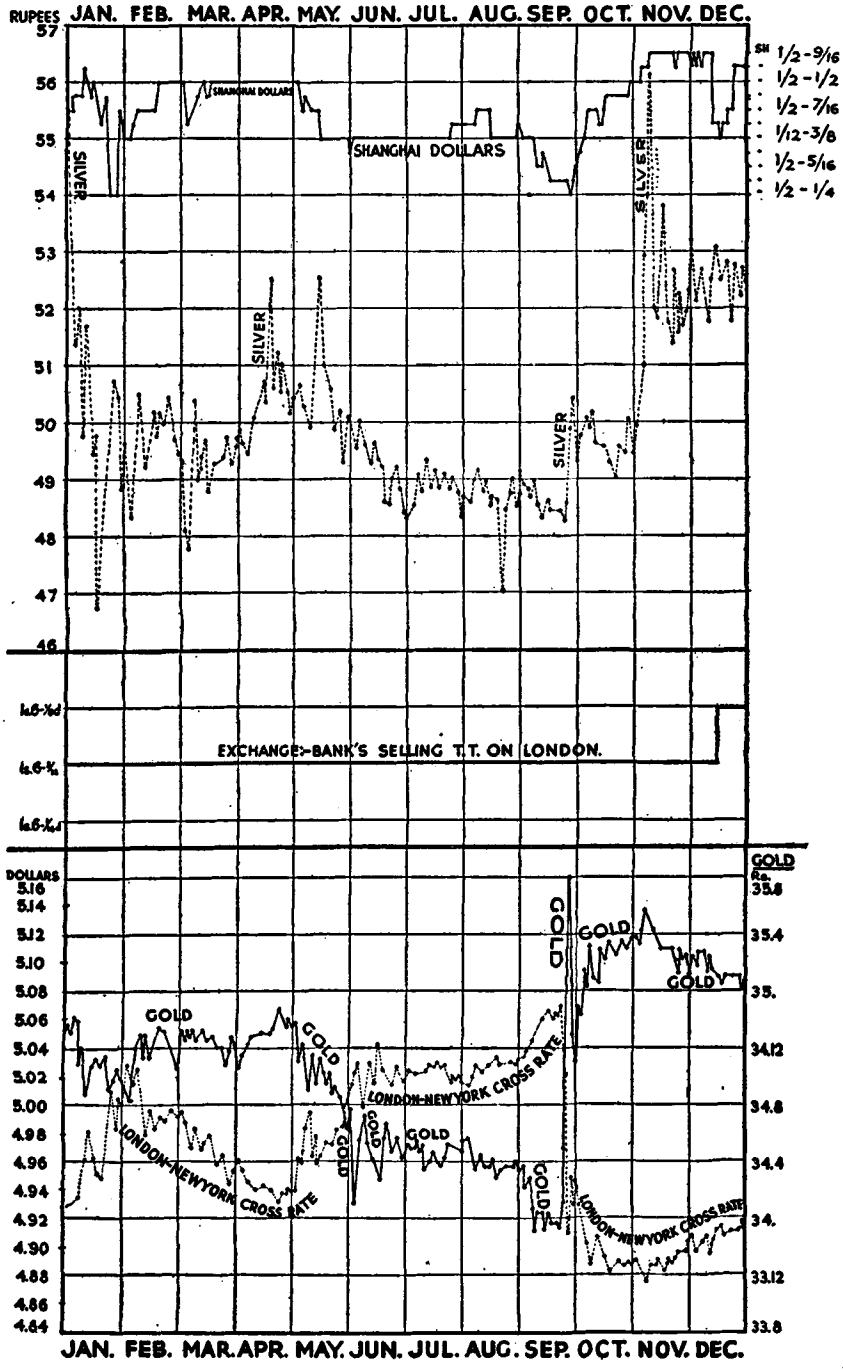
During this period the U.S.A. Government took measures to prevent the influx of foreign capital from affecting adversely the internal credit structure of the country. A steady influx of foreign capital into the United States gave rise to large imports of gold into the country. These gold imports kept on piling up the excess of bank reserves in the United States which had already reached the astronomical figure of approximately 2,250 million dollars by the latter part of November. Mr. Morgenthau, the Secretary of the Treasury announced that a programme would be instituted within a few days by which gold imports into the country would be sterilized in an inactive account so that they could not be used as a basis of credit inflation in the United States. Gold imports would be financed through sales of Treasury Bills. Thus, when gold enters the country the Treasury through the sale of Bills will remove from the money market an amount equal to the value of the gold imports. Similarly when gold leaves

the country funds will be returned to the money market by retiring Treasury Bills equivalent in value to the amount of gold exported.

Sterling remains steady.

In the last week the predominant feature was the continued strength of sterling in terms of the dollar. The sterling-dollar Cross rate moved between $4.91-15/16 and $4.91-3/16 at the close. The London-Paris rate showed no material change, closing at 105.13. The Belga and the Guilder were also steady in terms of sterling.

BULLION & EXCHANGE CHART, 1936.



GOLD.

There was no movement of consequence in the gold market at the beginning of the year, and the price for ready was stationary round Rs. 34-13-6. As the dealers were fairly well oversold to the banks for delivery in January, and fresh supplies were small owing to the closure of the Mint for Christmas Holidays for about 10 days, business was restricted. Stocks on hand were small being estimated at about 100,000 tolas with a daily offtake of about 2,000 tolas. Early in the second week, the gold market was very steady owing to covering by bears for the current settlement. The price for ready was quoted at Rs. 34-14 and at that it commanded a premium of one anna over February settlement. It might be recalled that there had been a fair amount of selling for this settlement on the day when the spurious communique was issued purporting to impose an export duty on gold; the covering was largely in connection with these sales. The rates ranged above export parity on most days, and fresh business transacted for export was almost nil. However, there were fair shipments since banks were overbought for delivery during January. In the third week of January prices in the gold market showed a weakening tendency owing to a rise in the sterling-dollar rate from \$4.94-5/16 to \$4.98⅛. The price for ready dropped from Rs. 34-12 to Rs. 34-8-9 per tola. The fall, however, was only temporary. As the price of the metal in London remained practically unchanged at 140*s.* 11½*d.* the price of ready in the local market advanced to Rs. 34-11, which then commanded a premium of about 2 annas over forward. This was mainly attributable to the shortage of supplies. Stocks on hand were stationary round 75,000 tolas with a daily offtake of about 2,000 tolas. During the remainder of the month, the local market kept steady. The variations in the cross rates affected but little the quotations in this market. The price of spot ranged between Rs. 34-9-0 and Rs. 34-11-6. There was a good inquiry from banks for purchases for export, but the price mostly ruled a little over parity owing to scarcity of supplies. Moreover, the market was fairly oversold to banks for the whole of February, and dealers were disinclined to enter into fresh contracts. The arrivals from upcountry averaged about 15,000 tolas a day and there was some improvement in stocks, which aggregated about 100,000 tolas. The daily offtake was unchanged at 2,000 tolas.

Market steady and prices unchanged.

Stocks low.

February saw an easier tendency in the local market following the weakness of dollar in terms of sterling to \$5.02¾. The price of ready dropped to as low as Rs. 34-8-3. The price of the metal in London, however, did not register a proportionate fall, and consequently on good inquiry from banks for export, the local price advanced to Rs. 34-11-3. The total turnover for export was, however, comparatively small. Stocks on hand had risen to about 150,000 tolas, while the daily arrivals averaged about 15,000 tolas. In the second week of February, the market was steady probably because this was the settlement week, and the demand from banks for export was good. The price of ready commanded a premium of 2 annas over March settlement, since the market had to deliver large quantities of gold during the week against old contracts. Daily arrivals had slightly declined to 10,000 tolas and stocks to 75,000 tolas. The price of ready ranged between Rs. 34-13 and Rs. 34-11-3. In the third week of February a fair amount of business was done for forward delivery extending

Easier tendency.

Tone improves.

to April. The quotation for ready improved from Rs. 34-11-3 to Rs. 34-13-6. Stocks were nuchanged at 75,000 tolas and daily arrivals improved to about 15,000 tolas. Towards the close of the month, prices were slightly depressed owing to large sales by option dealers, and the quotation for ready receded to Rs. 34-10-6 (28th). The March settlement was quoted at 3 pies and the April settlement 6 pies under ready.

Market remains steady.

This set-back, however, proved transitory and in the first week of March, the price in the local market improved and ranged between Rs. 34-13-3 and Rs. 34-12-6, mainly on steady advices from London coupled with the improved dollar rate. During the subsequent two weeks, movements in the gold prices were narrow ranging between Rs. 34-13-3 and Rs. 34-12-0. This was probably due to the fact that traders displayed caution in extending their commitments and adopted a "wait and see" policy. Purchases by banks for export were small as the quotations ruled for the most part above parity. Towards the close of the month conditions in the market were quiet owing to the absence of support coupled with the lack of buying orders from outside markets. The quotation for ready gold eased off from Rs. 34-12 to Rs. 34-10-9. Daily arrivals averaged about 12,000 tolas and stocks on hand were estimated at about 200,000 tolas.

Prices slightly improve.

In the April perspective the market opened steady and the variations in prices were more or less governed by fluctuations in the cross rates. In the first week, the local rates ruled slightly above parity rendering fresh business for export impossible. In the following week, however, a fair amount of business was transacted for near deliveries, and prices ruled round Rs. 34-12. The daily arrivals averaged about 12,000 tolas and stocks on hand were estimated at about 125,000 tolas. The daily offtake was about 3,000 tolas. During the remainder of the month, prices were very steady and with the depreciation of sterling in terms of the dollar and the gold currencies, the rate for ready gold advanced from Rs. 34-13 to Rs. 34-14-9 per tola. Fresh business for export was done on a small scale. At the close of the month under report, the price of gold receded a little in absence of effective demand which was probably lacking due to the local price ruling just over export parity. There was no change from the previous week either in the daily arrivals or in stocks which were estimated at 15,000 tolas and 100,000 tolas respectively.

Gold currencies weaken.

In the first week of May the French franc and the gold currencies suffered a sharp decline in terms of sterling. The local market grew nervous and the price of ready eased off from Rs. 34-13-9 to Rs. 34-11. Dealers were cautious owing to the uncertainty prevalent in the foreign exchange market and the turnover was consequently small. The uncertainty arising from the currency situation on the Continent persisted throughout the month under review. Sterling appreciated steadily in terms of the French franc and consequently in terms of the dollar because of the working of the Gold Standard arithmetic with the result that there was a persistent reduction in the London gold price. The local market ruled easy, and the quotations were entirely governed by fluctuations in the cross rates. The price of ready gold dwindled from Rs. 34-11 to Rs. 34-7-3 at the close. At the lower levels fresh business for export was transacted on a moderate scale. The daily arrivals averaged 12,000 tolas and stocks on hand remained unchanged at about 100,000 tolas. The daily offtake was about 2,000 tolas.

June saw no improvement in the foreign exchange market and in the beginning of the month, large Continental offerings of gold currencies resulted in a further appreciation of sterling. This tended to depress gold prices in the local market, the rate for ready gold dropping precipitously from Rs. 34-7 to Rs. 34-1 (4th). Again at the lower levels a good demand for export was in evidence, and the price improved to Rs. 34-4-9 per tola. In the subsequent week, however, fluctuations in foreign exchanges were comparatively narrow and gold currencies showed substantial recovery in terms of sterling. Moreover the price of the metal in London also improved from the low level of 138*s*. 3½*d*. to 139*s*. 4*d*. This had a beneficent influence on the local market which was reflected in an advance in the price of spot from Rs. 34-1 to Rs. 34-7-3. Most of the business done for export by banking houses was for forward delivery. The daily arrivals averaged about 15,000 tolas with no change in the stocks which stood at about 100,000 tolas. The confidence of the market was undermined by the recurrent attacks on the French franc and the resulting weakness of the gold currencies in terms of sterling. In the third week of June, the rate for ready touched Rs. 34-2-9 on general selling, but this enabled Banks to do fresh business for export, which was mainly for forward deliveries and the turnover was substantial. The daily arrivals had improved to 20,000 tolas. At the close of the month fluctuations in foreign exchanges were comparatively small, gold currencies having improved moderately in terms of sterling. There was, however, only a moderate advance in prices locally to Rs. 34-6-9, closing at Rs. 34-4-3. The daily arrivals were maintained round 20,000 tolas and stocks at the close of the month had increased to 250,000 tolas.

Gold price drops.

No change in situation.

In the beginning of July the price of gold in the local market experienced minor fluctuations governed mainly by the movements in the cross rates. The price of ready moved up to Rs. 34-5-6 following a depreciation of the sterling in terms of gold currencies. The daily arrivals were about 15,000 tolas and stocks on hand aggregated 250,000 tolas. In the middle of the month, the price of gold suffered a relapse owing to the weakness of the French francs and other gold currencies in terms of sterling. The quotation for ready declined to Rs. 34-3-6 (11th), but later improved to Rs. 34-4-6. The turnover was moderate. During the remainder of the month price variations were narrow induced by the fluctuations in cross rates. The stock position at the end of the month showed 125,000 tolas, daily arrivals having declined to about 10,000 tolas against an unchanged daily offtake of about 3,000 tolas.

Minor fluctuations.

The gradual but steady improvement of sterling both in terms of gold currencies and the dollar tended to depress the price of gold in London from 138*s*. 11*d*. (July 28th) to 138*s*. 6*d*. (Aug. 6th). This had, however, practically no effect on the local market and the price of gold here showed only minor variations. The quotation for ready ranged between Rs. 34-5-9 and Rs. 34-4-9, but in the following week when the price of the metal declined further in London following a further weakness of the gold currencies, the spot quotation in the local market dropped to Rs. 34-3-6. At the lower levels the market showed some resistence and a fair volume of business for export was reported to have been put through. The rate for ready improved slightly to Rs. 34-4-3 in the third week of August, but in sympathy with the continued downward trend of gold prices in other markets, the local quotation again receded to

Narrow range of prices.

Rs. 34-3-0 (20th). Meanwhile there was no change either in the stock position or in the daily arrivals from upcountry. Towards the end of August, the local market was quiet, though small business was transacted for spot delivery and stocks on hand were reduced to about 75,000 tolas. Owing to declining gold prices and the uncertain outlook regarding the price trend, the daily arrivals declined further to about 8,000 tolas.

Market develops weak tendency.

After comparative dullness at the end of August the gold market again developed a weak tendency early in September consequent upon the appreciation of sterling as against gold currencies. In London the quotation for gold dropped from 138*s*. 2½*d*. to 137*s*. 5½*d*. (9th) and the rate for ready here touched the low level of Rs. 33-15-3 on the same date. This was the lowest on record since May 28, 1934. The persistent fall in the price caused a spate of selling by option dealers with buyers holding off. The French currency situation had substantially deteriorated. There was a slight recovery in the price of gold to Rs. 34-1-3 in the third week, but dealers were very hesitant to extend their commitments owing to uncertainty about the future of the gold currencies. The price of gold in London still showed a downward trend and the persistent weakness of the French francs and the guilder in terms of sterling indicated that the prevalent trend could hardly be reversed unless the gold currencies were devalued. What had been awaited for a long time occurred in the last week of September when the French authorities decided to devalue the franc by about 30 per cent. The price of ready gold soared as high as Rs. 35-8 (26th) following the announcement of the devaluation of the franc and fluctuated erratically during the week, in consonance with the sterling dollar rate. A fair amount of fresh business was put through for export mostly for forward deliveries and this offset to a large extent sales by banks probably against U.S. dollar arbitrage earlier in the week. The price of gold in London shot up from 137*s*. 2½*d*. (23rd) to 140*s*. 9*d*. (28th). Stocks on hand by this time aggregated 200,000 tolas and the arrivals averaged about 20,000 tolas a day.

Gold currencies devalued.

Gold price shoots up.

The price of gold moved more or less in sympathy with the dollar sterling cross rate the quotation for ready rose from Rs. 34-12-6 to Rs. 35-3-3 (8th) following an advance in the gold price in London from 140*s*. 2*d*. (30th September) to 142*s*. 3*d*. (8th October). Good fresh business for export for delivery in the second half of November and December was done. With the daily arrivals remaining unchanged at 20,000 tolas, stocks on hand continued at about 200,000 tolas. In the subsequent week, the price for ready gold declined to Rs. 35-0-6 following the appreciation of sterling in terms of the dollar presumably on purchases of sterling by the Continent owing to the political tension over the Spanish affairs. This decline proved, however, transcient and the rate for ready soon moved up to Rs. 35-3. During the second half of October the communal disturbances in the City dislocated trading in the bullion market. In the absence of normal daily arrivals of ready gold from upcountry, dealers were reluctant to trade, with the result that the turnover was extremely small. The volume of fresh business done for export for forward deliveries was very restricted. Stocks on hand had

Communal disturbances dislocate trade.

declined to about 100,000 tolas. Towards the close of the month the quotation for ready ranged between Rs. 35-3-9 and Rs. 35-3-0. On option dealers and shorts covering with the approach of settlement, the local market was well maintained, but fresh business for export was rendered difficult.

Minor changes.

In the first week of November price of ready gold advanced by 6 pies to Rs. 35-4-3, mainly in sympathy with the depreciation in New York-London cross rate. The variations in the price of gold in London were, however, negligible, the highest being 142*s*. 3*d*. and the lowest 142*s*. 2*d*. Stocks on hand were estimated at 150,000 tolas and the daily arrivals averaged 15,000 tolas. The offtake was unchanged at 3,000 tolas a day. In the following week the dollar continued firm in terms of sterling which caused an advance in the London price of gold from 142*s*. 3*d*. to 142*s*. 8½*d*.; the local market followed the lead and the price of ready gold rose to Rs. 35-5-9. Later, however, sterling recovered in terms of the dollar with a consequent decline in London quotation to 142*s*. 5½*d*. The spot price in this market showed a corresponding recession to Rs. 35-4-3. Stocks were reduced to about 100,000 tolas, but the daily arrivals had declined to 10,000 tolas during the period under review. This was due to the incidence of Diwali holidays and the recrudescence of communal disturbances in the City. During the third week of November the dollar tended to depreciate in terms of sterling and in sympathy with the movements in the Sterling-Dollar cross rate, the price of ready gold declined from Rs. 35-4-3 to Rs. 35-3-0, but recovered slightly to Rs. 35-3-3. The price of gold in the London market also registered a decline from 142*s*. 7½*d*. to 142*s*. 2½*d*. Stocks on hand and the daily arrivals from upcountry were practically unchanged. The continued weakness of the dollar in terms of sterling tended further to depress the price of gold to Rs. 35-1-3 during the last week of November. Owing to a good demand of dollar on the Continent, the Sterling-Dollar cross rate declined from $4.90-3/16 to $4.89-5/16. The price of gold thereupon recovered to Rs. 35-2-3 and ranged between Rs. 35-3-0 and Rs. 35-2-3. At the decline in price some business for export was put through, mostly for forward deliveries. On the 24th November the Secretary of the U.S.A. Treasury announced the abolition of the right of private individuals to export gold, and gold exports were thereafter to be made only through the Stabilization Funds to countries adhering to the monetary agreement concluded on October 23. Up to this date private individuals could export gold by obtaining a licence, but the gold could only be sent to a Gold standard country. Stocks on hand in the local market were unchanged at 100,000 tolas, but the daily arrivals had improved to 12,000 tolas. The offtake averaged about 3,000 tolas a day.

Fresh export business small

Shortage of ready supplies

In the beginning of December the market, owing to the incidence of settlement, witnessed a shortage of ready gold, which was made evident by the fact that the carry-over difference widened to as much as 1 anna 3 pies against the bear on the 2nd December. The volume of business for export was small and dealers appeared reluctant to increase their commitments. The price of ready gold declined to Rs. 35-1-3 following a recession in the London price of gold from 142*s*. to 141*s*. 7*d*. Later during the first week of the month under report the price of ready gold fluctuated in consonance with the movements in the Sterling-Dollar cross rate. The quotation advanced to Rs. 35-2-9 but declined again to

Rs. 35-1-3. However, as a result of the firmness in the Rupee-Sterling exchange the local market ruled above parity for the most part, which rendered fresh business for export of gold almost impossible. Stocks on hand were reduced to 75,000 tolas and the daily arrivals averaged 10,000 tolas. The offtake was estimated at 2,000 tolas a day. In the middle of December sterling tended to appreciate in terms of the dollar with the consequence that the price of ready gold declined further to Rs. 35-0-6 (17th). There was a backwardation of 6 pies on February settlement gold against ready. This was due firstly to smallness of supplies and secondly bear covering for near positions. For fresh business in connection with the export of gold, the prices continued to rule above parity. Stocks on hand were further reduced to 50,000 tolas, but it was encouraging that the fresh supplies amounted to about 12,000 tolas a day. In the third week the daily arrivals increased to 15,000 tolas owing to the approach of Christmas holidays, during which period the Bombay Mint remained closed (from 24th December to 3rd January 1937). The stock position, however, continued unchanged. Fresh business for export for forward deliveries was made possible by the backwardation prevalent in this market. The rate for ready opened at Rs. 35-0-6 and advanced to Rs. 35-1-3, but later declined to Rs. 35-0-9 in consonance with the movements in the Sterling-Dollar rate. Early in the last week of December there was some re-selling by banks, probably against Dollar arbitrage. The quotation for ready moved between Rs. 35-1-0 and Rs 35-0-0 but closed at Rs. 35-0-9. In London also the price of gold moved narrowly beween 141*s*. 7*d*. and 141*s*. 4*d*. Stocks on hand were unchanged at 50,000 tolas and the daily arrivals had declined to 10,000 tolas. The daily offtake averaged 2,000 tolas. The highest and lowest rates in this market at the end of the year were Rs. 35-1-0 and Rs. 35-0-0 for ready and January 1 settlement and Rs. 35-0-3 and Rs. 34-15-3 for January 29 settlement. The total gold exports for the year 1936 amounted to Rs. 33.16 crores, making a total of Rs. 300.67 crores since September 1931 to December 1936.

Stocks low.

Small price variations.

SILVER.

The silver market was still in a convalescent state over the turn of the year. The effects of the complete withdrawal of the American Treasury dealings from the London market, which dislocated the principal silver markets, had not yet worn off.

Market opens hesitant.

After the smooth squaring up of the accounts of the December settlement, about which a good deal of misapprehension was felt, the confidence of the local market appeared to revive gradually and the undertone was distinctly better in the opening week of January. Foreign advices, however, were not at all encouraging and, consequently, returning confidence might well have proved transient but for the emergence of a steady and persistent local demand for ready silver. When the silver price fell precipitously to Rs. 50 and below per 100 tolas, India had turned a buyer of silver. This factor, of course, was the mainstay of the local market and under its influence the quotation for ready silver rose to Rs. 55-12 for 100 tolas on December 31, 1935. Indian purchases of spot silver in London provided, even in the absence of American support, a fresh stimulus, and the price of spot silver advanced to 22½*d.* per st. oz. in that market. Stocks on hand in the local market were substantially reduced to about 20,000 bars due to good offtake, which averaged about 600 bars a day. The ban on forward dealings below a fixed minimum price was removed in the second week of January. As with the return of confidence, the market began to function normally. The renewal of free trading for forward deliveries, however, caused an easier tendency, and the quotation for ready dropped to Rs. 51-9, which after a spasmodic recovery to Rs. 53-2, further declined to Rs. 49-12 (10th) per 100 tolas. Another contributory factor was the fact that about 4,000 bars were already shipped from London to Bombay during this period. This was bound to swell the already heavy stocks on hand, despite a fairly good daily offtake of about 400 bars. Furthermore, the drop in the London price of the metal from 22-3/8*d.* to 19*d.* per st. oz. tended to depress the quotations still further to Rs. 46-12 (17th). The local market, however, offered good resistance, for, at lower levels a large demand for spot silver appeared and absorbed all offerings. By the middle of the month the offtake aggregated about 3,000 bars, and consequently the local stock position, had improved materially. There were, then, about 9,500 bars on hand. With such swift and brisk offtake, it was felt that fresh imports would not any more be a burden on the market. During the second half of January the local market was steady and the quotations showed an improvement, ready touching Rs. 50-12 (25th). Forward business was still restricted, but the accounts of the January stettlement were squared off smoothly. At the end of the month stocks on hand were estimated at about 7,000 bars with a daily offtake of 600 bars.

Price of ready Silver advances.

Large offtake and low stocks.

There was no material falling off in the local demand for spot silver, which averaged about 400 bars a day in the opening week of February; but the price for ready suffered a sharp relapse to Rs. 48-5 (5th) per 100 tolas. This was due to the fact that the resumption of forward trading in the London market caused a spate of selling, which resulted in a sharp drop of 5/16*d.* in the price of spot silver to 19-7/16*d.* per st. oz. Gradually, however, the local market recovered the lost ground, mainly on the strength of the well-maintained indigenous demand for ready silver for investment. The price for ready

Offtake maintained but prices decline.

advanced steadily to Rs. 50-8 and ranged between this figure and Rs. 49-8 per 100 tolas during succeeding two weeks of February. Towards the close of the month, the quotation eased off from Rs. 50-7 to Rs. 49-7 in the temporary absence of support and owing to lack of encouraging advices from other markets. It was noteworthy that spot silver commanded a premium of as much as ten annas over the March settlement; but on large sales of spot by operators, the premium dwindled to one anna at the end of February. Stocks on hand were about 6,000 bars, including about 13,000 bars imported from London.

Heavy selling pressure causes prices to drop.

In the first week of March the prices in the local market were again subjected to a heavy selling pressure. In expectation of a change in the import duty on silver, a large position was built up by bulls, but as the annual Budget revealed no change in this respect, they were forced to liquidate, consequently the quotation for ready dropped from Rs. 49-4 to Rs. 47-12. At lower levels, the offerings were easily absorbed, because the demand from upcountry was fairly good. The daily offtake was about 300 bars. A fresh impetus was provided, however, by "war scare" in the middle of March, when bulls rushed in to buy at lower levels. The prices suddenly spurted, and the quotation for ready rose from Rs. 47-12 to Rs. 50-6 (9th). There was, however, no response from other centres, and the price again eased off to Rs. 49-3 (12th). At this juncture a slight falling off in the upcountry demand was noticeable, the daily offtake averaging about 200 bars. But the market remained steady, and towards the close of March prices again advanced following a rise of $\frac{3}{8}d.$ in the London quotation to 20-3/16*d* (25th.) which, in turn, was caused by considerable Indian buying for prompt shipment from London. The rate for ready improved to Rs. 50-4, but again eased off to Rs. 49-5 at the end of the month.

Resistance at lower levels.

Improvement in price.

There were no significant variations in the silver prices in the beginning of April and the quotation for ready ranged between Rs. 49-14 and Rs. 49-8. In the second week, however, rumours were current to the effect that some sort of agreement was reached between the U. S. Treasury and the Chinese delegates who were on a visit to the United States to discuss, among other things, Chinese currency problems. On this report, spot silver was bid at Rs. 51-6 (11th); but, as the foreign markets failed to respond and the rumour was promptly contradicted, the price reacted sharply to Rs. 50 (14th). Again in the subsequent week on a rise in the New York fixation of silver price by $\frac{1}{4}$ of a cent to 45 cents, the price for ready in the local market rose to Rs. 52-8 (18th). The Secretary of the U. S. Treasury, however, declared that the rise in New York price was purely of a speculative nature and did not affect the Treasury's purchase programme. This resulted in a general wave of liquidation, and the quotation for ready in the local market dwindled to Rs. 50-10 (20th). The daily offtake was fairly good at 300 bars and stocks on hand amounted to about 5,000 bars. At the close of the month excitement had subsided, and the market presented a dull appearance. Movements in the prices were narrow, the quotation for spot ranging between Rs. 51-0 and Rs. 50-2.

Market keeps steady.

In the beginning of May, the market showed no movements of consequence. Advices from other markets were monotonous and provided no stimulus. But the indigenous demand from upcountry was maintained. Earlier in the month, most of the transactions were of a carry-forward nature on the approach of the settlement

and large option business was squared round at Rs. 50-6. In the middle of May, however, the market turned bullish, and the rate for ready soared to Rs. 52-8 (14th), mainly on the revived rumour that some working agreement was reached in the Sino-American monetary discussions. It was reported that under that agreement U. S. Treasury was to take over the surplus stock of silver from the Chinese Government at 50 cents per st. oz. That rumour, however, lacked confirmation, and the London price of the metal remained unchanged. In consequence the quotation in the local market dropped to Rs. 51-0 (16th). The rumour died hard; and on the official statement by Mr. Morgenthau that the U. S. Treasury had agreed to buy silver from China at an average world price, but would not disclose the amount so purchased, the local market grew nervous, and heavy liquidation ensued. The rate for ready gradually declined from Rs. 51-6 (19th) to Rs. 49-13 (22nd), but reacting to Rs. 50-3 again slumped to Rs. 49-4 (27th) and closed at Rs. 50-1. The price might have fallen still further owing to selling pressure but for the fact that the improved upcountry demand continued to absorb offerings at that level.

Mr. Morgenthau's statement.

When the pressure subsided, the market again turned indifferent, apparently in a mood of disillusionment. The tendency, it appeared, was on the whole slightly easier in the early part of June though the price fluctuations were narrow, the rate for ready ranging between Rs. 50-1 and Rs. 49-8. The daily offtake was about 150 bars and stocks on hand aggregated about 9,000 bars. In the middle of the month, however, the decline in the London quotation for spot from 20-1/16*d.* to 19-13/16*d.*, coupled with a slackening of demand from upcountry at an average offtake of only 60 bars a day, depressed the local quotation for ready to Rs. 49-4 (12th). Fresh imports during that period amounted to about 4,000 bars, and stocks had swollen to about 14,000 bars. The market began to feel the weight of the stocks, which was reflected in the difference in carry-over from June to July at 2 annas premium. In the second half of June the market was practically flat, barring spasmodic but negligible rise in prices on shorts covering. The quotation for ready silver fluctuated between Rs. 48-6 and Rs. 49-8 per 100 tolas.

Market quiet; large stocks & low offtake.

The market was dull in the beginning of July, mainly owing to the lack of encouraging advices from other centres. The trend of prices was slightly easier, but the quotation did not fall below Rs. 48-5. It was assumed that the price of the metal here would not fall much below this level so long as the U. S. Treasury price for silver remained unchanged at 45 cents. But the disquieting feature was that the demand for ready silver had slackened considerably, the daily offtake being about 75 bars; consequently with further arrivals of about 1,500 bars from London, stocks on hand piled up to 15,000 bars. Barring a spasmodic recovery in price of ready silver to Rs. 49-5, the quotation tended to be easier in the second week of July. Thereafter, the demand for spot silver gradually revived, and the daily offtake improved to about 100 bars. The rate for ready was maintained round Rs. 49 per 100 tolas. Towards the end of July selling pressure again depressed the rate to Rs. 48-5 (29th). At this level better demand appeared, and the offerings were absorbed up to Rs. 48-11. Stocks on hand were reduced to about 11,000 bars.

Market dull.

Offtake improves & stocks decline.

A small advance in prices was registered during the first week of August, when the quotation for ready improved to Rs. 48-15 (6th). Advices from other markets were monotonous. The usual features of the London market were purchases on Indian account with selling orders from China and occasional business by speculators. But the confidence of the local market was maintained by the continuance of a fair daily offtake, which reflected the steady demand for ready silver from upcountry centres. The quotations were therefore steady round the opening levels. Moreover, stocks on hand were further reduced to 10,000 bars in the middle of the month. This situation might have continued unchanged but for the intervension of heavy selling by option dealers in the third week of August. The downward movement in the local prices was accentuated by discouraging advices from London where the spot price for silver dropped by a farthing to 19⅛*d.* per st. oz. This caused nervousness among local operators, and heavy selling resulted, which hammered down the rate to Rs. 47, the lowest touched since 17th of January last. At lower levels again demand for spot re-appeared reducing the stocks on hand to 5,000 bars, and the price for ready gradually recovered to Rs. 47-15. This initial recovery in prices acquired fresh strength on the reports that after a lapse of nearly eight months the U. S. Treasury had resumed buying silver in outside markets. This news infused enthusiasm among tired bulls and speculators, who rushed to buy. The rate for ready rose sharply to Rs. 49. Option dealers also bought on a large scale, and it was reported that business of nearly 10,000 bars was transacted on this account. The local market had so far maintained steady conditions, but it appeared that once again the future trend of silver depended on the American Government's attitude. If they continued to lend support by regular purchases in outside markets, the price in this market around the prevalent levels would be maintained. Otherwise, the prospects were not very rosy as fresh imports of silver every week were swelling the amount of stocks, which at the end of August stood round 10,000 bars. The daily offtake was only 90 bars.

Prices decline and offtake improves.

Stocks reduced.

The activity in the silver market, witnessed during the last week of August, was continued in the opening week of September on persistent rumours that the American Treasury was buying silver in the London market around 19 2/16*d.* per st. oz. The purchase was confirmed by an authentic report from New York which stated that the buying in London was on account of the Cuban Government and not for the U. S. Treasury. It was also reported that another South American country would be a large buyer of silver in the London market provided the price there was not higher than the rate ruling in New York. These advices indicated steady conditions in other markets. Although it was expected that in the local market many potential sellers would take advantage of higher levels, yet the market opened in September at Rs. 48-14 for ready. Purchases by option dealers on a large scale estimated at about 10,000 bars caused a sharp advance in the price of spot silver to Rs. 49-2. The market remained steady, despite poor daily offtake at about 40 bars and fairly heavy stock position at 10,000 bars. In the middle of the month, however, the market again developed an easier tendency and the quotation for ready receded to Rs. 48-5 (11th). This was largely attributable to the absence of silver purchases in

Market active.

Offtake dwindles ; Stocks mount.

the London market on American account. Furthermore, the appreciation of sterling as against the dollar also contributed to the easier tone since American traders' buying which was in evidence at $19\frac{9}{16}d.$ a fortnight ago did not go over $19\frac{7}{16}d.$ during the period under review. The demand from up-country for spot silver was a shade better, the daily offtake averaging about 50 bars. During the remainder of September the local market was featureless, fluctuation in prices being narrow. Towards the close there was a temporary spurt in prices when the quotation for ready rose as high as Rs. 50-7 (28th) chiefly as a result of a sudden fall in the sterling dollar cross rate; but it again declined to Rs. 49-5 with the improvement in the cross rate. Stocks on hand amounted to 11,000 bars and the daily offtake was small at 55 bars.

Movements unimportant.

After the devaluation of the French franc and other gold currencies, it appeared that for some time the price of silver was largely governed by movements in the sterling/dollar cross rate. In the first week of October spot silver was quoted at about Rs. 49-12; but following the appreciation of the U. S. dollar in terms of sterling and steadier advices from London the quotation advanced to Rs. 50-3 (8th). At this level, general profit-taking ensued and the rate declined to Rs. 49-12-0. The demand for silver in the middle of the month was well maintained absorbing all arrivals and leaving stocks on hand unchanged at 11,000 bars. During the remainder of October, however, business in the silver market was restricted owing to communal disturbances in the City, and it had the effect of reducing the daily offtake of ready silver, which declined to under 50 bars. The quotation for ready silver eased off to Rs. 49 (20th), but after the resumption of trading at night on the 29th, the rate firmed up again to Rs. 50-1 on reports of renewed American purchases in London on the eve of the Presidential election in the U. S. A. Stocks on hand at the end of the month were about 12,000 bars.

Business restricted.

Temporary spurt.

Barring a temporary spurt in silver prices following the re-election of President Roosevelt, the tone of the local silver market during the first week of November was quiet, The re-election of Mr. Roosevelt as President aroused enthusiasm among silver operators who were sanguine of the continuance of the Silver Purchase programme and in consequence of an improvement in rates. This sentiment was responsible for an advance in the spot quotation from Rs. 50 to Rs. 50-8-0 per 100 tolas. But as the response from other markets was somewhat discouraging, the rates reacted to the previous level. The undertone of the market was, however, very steady on the persistence of bullish sentiment

Stocks augment.

Stocks on hand, together with 2,060 bars en route to Bombay and 5,600 bars imported during the week, aggregated 20,000 bars. The offtake was very small, averaging about 45 bars a day. The highest and lowest rates in London were $20\frac{5}{16}d.$ and $20d.$ for spot and two months forward; and those in the local market were Rs. 50-8-0 and Rs. 49-7-0 for ready, Rs. 50-9-0 and Rs. 49-8-0 for December 3 settlement and Rs. 50-11-0 and Rs. 49-11-0 for January 2 settlement. The bullish sentiment manifested itself in a wave of optimism during the second week and the Indian and Chinese speculators pushed up the rate for spot silver in London to as high as $22\frac{15}{16}d.$, the highest rate

Spectacular rise in prices.

reached since 19th December 1935. On the 9th of November buyers had to be rationed in London at $21\frac{7}{8}d.$ but the rise of $1\frac{1}{16}d.$ on the following day proved attractive for American traders to sell. At higher rates buyers were satisfied by profit-takers and American Trade selling. In the local market the rate for ready shot up to Rs. 56-2-0 (10th) which was the highest touched after a lapse of about 10 months. On general profit-taking a reaction ensued and the rate declined to Rs. 53-4-0. It improved again to Rs. 54-15, but closed at Rs. 52-0-0. Stocks on hand were still heavy at 19,000 bars as the daily offtake continued poor at 60 bars. Moreover, the imports during the week amounted to 5,942 bars from London and Australia.

The relapse developed into an easy trend in the market during the third week of November.

Market develops weakness.

Earlier in the week the quotation showed an improvement to Rs. 53-13-0 (16th) on bear covering and speculative buying; but on weaker advices from other markets the price for spot silver sagged to Rs. 51-6-0 (20th). The price of the metal in London declined sharply from $22\frac{7}{16}d.$ to $20\frac{13}{16}d.$, and after advancing to $21\frac{5}{16}d.$, closed at $21d.$ In the last week, on steadier foreign advices the price of ready silver in the local market advanced to Rs. 52-11-0 on speculative buying. But in mid-week the quotation in London declined by $\frac{3}{16}$d., which caused general selling in the local market, the quotation dwindling to Rs. 51-6-0. Towards the end, it improved slightly to Rs. 51-11-0 on bear covering. Stocks on hand had swollen to 22,000 bars with a daily offtake of about 30 bars. The highest and lowest rates in the local market were Rs. 52-11-0 and Rs. 51-9-0 for ready and December 3 settlement and Rs. 52-13-0 and Rs. 51-11-0 for January 2 settlement.

Heavy stocks begin to tell.

In the beginning of December firmer advices from foreign centres coupled with reports of increased tension in the European political situation brought about a steady rise in the spot quotation in the local market, which advanced from the previous closing of Rs. 51-11-0 to as high as Rs. 53-3-0 (2nd) on speculative buying. There was some profit-taking at the higher level, which caused a set-back in the price to Rs. 52-2-0 (4th). Furthermore, later in the week foreign advices tended to depress the local market and on general liquidation by tired holders here, the quotation for ready silver declined to Rs. 51-12-0 (10th). The market, however, showed good resistance at the decline, and the price improved to Rs. 52-8-0. Stocks on hand were unchanged at 22,000 bars, but the daily offtake had improved to 65 bars a day. In the middle of December the troubled situation in China caused an advance in the rate for ready to Rs. 53-1-0 (15th), at which level a good deal of profit-taking was in evidence. In the absence of fresh buying combined with weaker advices from foreign markets, the quotation reacted to Rs. 52-8-0 (17th). It may be recorded that for the first time since 26th August 1936, there was a backwardation on silver in the London market of $\frac{1}{16}d.$ on two months forward against spot.

Firmer advices from abroad steady market

Despite large stocks market maintained.

This premium of $\frac{1}{16}d.$ over forward in London continued during the third week of December. The quotation for ready opened at Rs. 52-9-0 and advanced to Rs. 52-13-0 but again declined to Rs. 52-8-0 in sympathy with a drop of $\frac{1}{8}d.$ from $21\frac{3}{8}d.$ in the London spot fixing. Stocks on hand aggregated 24,000 bars, while the offtake had declined to 45 bars a day. In the last week of December, rumours about an

increase in the import duty on silver at the forthcoming Budget, originating in the outside markets, gained currency here and gave rise to a heavy backwardation for the March settlement in the local market. The discount on March settlement was quoted as high as Re. 1-4-0. It was reported that there was scramble for spot silver in London, and the backwardation there increased to $\frac{1}{4}d.$ on the 24th of December. Towards the close some speculative buying for March settlement in the local market reduced the differential between February and March to about 10 annas. This also decreased the backwardation in London from $\frac{1}{4}d.$ to $\frac{1}{8}d.$ The quotation for ready opened at Rs. 52-12-0 and after declining to Rs. 52-3 (on the 28th), following a fall of $\frac{3}{16}d.$ in the London quotation, moved up to Rs. 52-11-0 but closed at Rs. 52-7-0. The market re-opened for night trading on the 28th December but the incidence of Christmas holidays in foreign centres restricted the volume of business. Stocks on hand had further increased to 25,000, bars while the daily offtake averaged only 50 bars. The total imports of silver bullion during the month amounted to about 4,500 bars and during the year 109, 236, 314 st. ounces.

SHARES.

Healthy tone at opening.

The Share market opened with a healthy tone, and there was an all round recovery in rates, though buying was of a general character. Special attention was paid by investors to Steel and Hydro-electrics. Tata Iron Ordinarys which had closed at Rs. 149-12 opened at Rs. 152-8 and Tata Deferreds gained nearly 20 points at Rs. 603-12. Tata Powers advanced from Rs. 1,545 to Rs. 1,561-4 and Andhra Valleys from Rs. 1,640 to Rs. 1,646-4. Bombay Burmas were beginning to attract the attention of investors and speculators, although there was no material change in the rate at Rs. 407-8. Cotton mill shares on the other hand remained practically unchanged and comparatively neglected, Bombay Dyeings at Rs. 736-4, Centurys at Rs. 190, Central Indias at Rs. 252-8 and Colaba Lands at Rs. 133-2.

Market becomes hesitant.

In the second week, however, the tone became somewhat hesitant, following a sharp fall in the price of raw cotton with its consequent repurcusions in the cotton mill shares, which as such were suffering from neglect at the hands of investors. Bombay Dyeings dropped to Rs. 675 and Centurys to Rs. 170-10. There was a sympathetic decline in all other sections, Cements being the worst to suffer: Bundis declined from Rs. 36-2 to Rs. 34-8 and Indian Cement from Rs. 458-12 to Rs. 440-10. Steels and Hydro-electrics also dropped, Tata Ordinarys to Rs. 147-12 and Deferreds to Rs. 576-4; Tata Powers to Rs. 1,520/- and Andhra Valleys to Rs. 1,606-4. The only bright spots on the market were British Burma Petrol, which recovered from Rs. 3-13 to Rs. 5-4 on outside inquiry and Belapur Sugars advanced from Rs. 150-10 to Rs. 164-6.

Dull trading.

During the second half of January, trading was dull in all sections and prices ranged within narrow limits. The investment inquiry was negligible, and the little business, that there was, was confined to inter-bazaar jobbing.

Easier tone.

The lethargic conditions prevailing in the past fortnight gave way to an easier tendency early in February, and there was a tendency to take profit. Steel shares declined sharply, Tata Ordinarys from Rs. 147-12 to Rs. 142-8 (4th) and Tata Deferreds from Rs. 576-4 to Rs. 527-8 (4th). Cotton mill shares all declined, Bombay Dyeings from Rs. 676-4 to Rs. 665; and Centurys from Rs. 165-10 to Rs. 158-12. Hydro-electrics showed little variation in prices, while Cements were a shade easier. Cash scrips were, however, steady, but there was little doing in this section.

Condition improves.

In the second week of February a somewhat better tone was manifest, although investing public still kept aloof from the market. Prices improved a shade all round, giving way, however, in the following week. Belapur Sugars which had kept remarkably steady during this period, also declined from Rs. 168-2 to Rs. 162-8 (18th).

Better tone prevails.

In the last week of February, the tone of the market improved slightly again, but in the first week of March a sagging tendency was evident on general selling. Tata Iron Ordinarys declined from Rs. 146 to Rs. 142-12 (4th) and Tata Deferreds from Rs. 542-8 to Rs. 508-12 (4th). Among cotton mill shares Bombay Dyeings lost

20 points to Rs. 662-8 and Central Indias, 6 points to Rs. 152-8. Belapurs dropped from Rs. 164-6 to Rs. 158-12, while Bombay Burmas receded from Rs. 387-8 to Rs. 363-2 (4th). Hydro-electrics, on the other hand, showed a marked improvement in sympathy with the gilt-edged, Tata Powers gaining from Rs. 1,541-4 to Rs. 1,556-4 (3rd). Cement shares were maintained.

Flutter in the market.

In the second week of March however, the reported political disturbances in Europe caused a flutter in the share market, and heavy industrials and cotton mill shares advanced substantially. Tata Ordinarys rose from Rs. 142-12 to Rs. 149 (9th) and Tata Deferreds from Rs. 508-12 to Rs. 556-4 (9th). Bombay Dyeings shot up from Rs. 662-8 to Rs. 691-4 (9th); and Centurys from Rs. 152-8 to Rs. 165-10. There was a sympathetic rise in the miscellaneous industrial shares. Belapurs advanced to Rs. 163-2 (13th) and Bombay Burmas to Rs. 380 (9th). Bank, Railway and Hydro-electrics, however, declined somewhat in sympathy with easier gilt-edged.

Market inactive.

In the last two weeks of March and throughout April the market remained dull, the activity following reports of political disturbances early in March having completely died out. Public interest was waning and business was largely of a jobbing nature. In the absence of fresh buying, prices fluctuated narrowly, with a downward tendency. Tata Ordinarys moved between Rs. 148 and Rs. 145-4; Tata Deferreds between Rs. 546-4 and Rs. 506-14 and Bombay Dyeings between Rs. 687-8 and Rs. 664-6xd. Tata Powers fell sharply on unloading by holders, touching Rs. 1,467-8xd. (27th March), but recovered later to Rs. 1,490 (20th April). Cement shares, on the other hand, were in good demand following reports of favourable progress of the Cement merger scheme, and prices hardened. Bundis advanced to Rs. 37-12 (30th April) and Indian Cements to Rs. 468-2 (20th April). Katni Deferreds improved from Rs. 2,145 to Rs. 2,310 (30th April), while United Cements rose from Rs. 124-8 to Rs. 132-8. Scindia Steams were getting more popular with the investors, and the price advanced to Rs. 16-8 by the end of April.

Activity revives and prices advance.

In the first week of May, following the recommendation of the Board of Directors of Tata Iron and Steel Co., Ltd., to pay dividends on the Company's shares, Rs. 6 per share on Ordinary, Rs. 7-8 per share on Deferred and Rs. 17-8 less income-tax on 2nd Preference, the market firmed up and a distinctly improved tone was manifest. It may be pointed out that the Tata Iron & Steel Company Ltd. paid this dividend after 8 years, the last having been paid in 1927, Re. 1 on Ordinarys and Rs. 60-9-7 on Deferreds in 1921. The quotation for Tata Deferreds advanced to Rs. 526-4 (7th) and for Ordinarys to Rs. 151-8 (7th). There was a sympathetic advance in Hydro-electrics, Tata Powers improving to Rs. 1,495 (7th) and Andhra Valleys to Rs. 1,552-8. Bombay Burmas advanced to Rs. 408-2 (6th) and Cement shares remained in good demand. Cotton Mill shares, on the other hand, were neglected and unchanged.

Rates advance further.

It appeared as though the stage for a big rise was now set, and buyers were looking more confident. The market assumed a buoyant tone and activity not seen for the past eight months, was noticeable. The prices tended upward with intermittent reactions on profit-taking. By mid-June Tata Deferreds advanced to Rs. 697-8 and Ordinarys to Rs. 180-12. Tata Second Preference improved to Rs. 170 (12th). Hydro Electrics

were very firm partly in sympathy with the general tone of the market and partly due to reports of contemplated merger of three large electric undertakings in Bombay under Tata Sons management. Tata Powers shot up to Rs. 1,622-8, Andhra Valleys to Rs. 1,622-8 and Tata Hydros to Rs. 176-14. Cotton Mills were, on the other hand, neglected and easier in absence of buyers, while cement shares, except for Indian Cements which improved to Rs. 521-14, were neglected. Bombay Burmahs rose to Rs. 435-10 and Belapurs to Rs. 185-10. Scindia Steams continued to be in favour and advanced to Rs. 19-0. At the higher rates, there was a tendency to take profit and there was a small recession in rates of steel shares. Electric shares, on the other hand, were firmer, Tata Powers advancing to Rs. 1,660 (18th) and Andhra Valleys to Rs. 1,656-4 (18th). Cotton Mill shares however, kept on sagging, Bombay Dyeings declining to Rs. 660 and Centurys to Rs. 133-2.

Cement Co.'s merger accomplished.

It was officially announced in the 3rd week of June that the Cement companies (*viz.*, the C.P., the Bundi, the Shahabad, the Katni, the Punjab, the Okha, the Coimbatore, the United, the Gwalior and the Indian Cements) had proposed to enter the Cement Merger Company to be known as the Associated Cement Companies Ltd.

Terms of merger.

The consideration for the transfer of the several business undertakings of the cement companies to the Associated Cement Company was a sum equivalent to Rs. 60 per ton of the rated capacity of each company subject to certain specific contributions which each company had to pay. The authorised capital of the Associated Company is Rs. 8 crores and is divided into shares of Rs. 100 each. To facilitate the distribution by different companies amongst their shareholders, the Associated Company may issue fractional shares. Each of the companies has agreed to subscribe for shares in the Associated Cement Company of a nominal value equivalent to Rs. 10 per ton of its rated capacity. Each Company will retain its funds for the benefit of its own shareholders.

Cotton mill shares improve.

During the latter part of June and the first half of July the market maintained a very steady tone and there was a good turnover in all sections. Cotton mill shares which had been neglected also spurted on publication of the Special Tariff Board's recommendations. Bombay Dyeings improved to Rs. 730 and Centurys to Rs. 175. Steel shares rose sharply, Tata Ordinarys to Rs. 189-4 and Deferreds to Rs. 782-8, Bombay Burmas and Belapurs rose to Rs. 580 and to Rs. 222-8 respectively. Hydro Electrics were strong, Tata Powers at Rs. 1,692-8 and Andhra Valleys at Rs. 1,712-8. Cement shares were steady but prices varied only slightly, the merger news having been previously discounted in the price.

Profit-taking lowers prices.

The high levels attracted the usual profit taking sales and with fresh buyers unwilling to come in at these high rates, prices declined fairly sharply. Tata Ordinarys dropped to Rs. 180-12 and Deferreds to Rs. 717-8. Cotton mill shares also eased, Bombay Dyeings to Rs. 686-4 and Centurys to Rs. 151-4. Hydro-Electrics were quieter in sympathy with the gilt-edged, Tata Powers declining to Rs. 1,662-8 and Andhra Valleys to Rs. 1,670. Bombay Burmas dropped to Rs. 507-8 and Belapurs to Rs. 202-8.

Market irregular.

During the second half of July, the tone of the market was somewhat irregular, both buyers and sellers being inclined to wait and see. Prices on the whole, however, were inclined to improve gradually.

In the first week of August also the market showed no signs of movement, except public utility and other fixed interest bearing stocks, which declined in sympathy with the gilt-edged. Tata Powers declined to Rs. 1,620 (7th) and Andhra Valley to Rs. 1,646-4. In the following week mill shares suffered following a drop in raw cotton and absence of buyers. Bombay Dyeings fell from Rs. 686-4 to Rs. 655 and Centurys from Rs. 152-8 to Rs. 133-2 (14th).

Public utilities decline.

During the second half of August there was a distinct improvement in the market sentiment and bear sales were easily absorbed. The prices improved in almost all sections with a more confident outlook. The rise in the price of steel, copper and other base metals in outside markets, was reflected on the local market with resulting improvement in the price of local steel shares. At this juncture, reports emanated from Calcutta that a new steel company was being formed by the merger of Indian Iron and Bengal Iron with Tata's taking part-interest. Tata Deferreds improved to Rs. 743-12 and Ordinarys to Rs. 187. Bombay Burmas advanced from Rs. 485 to Rs. 510-10 and Belapur sugar from Rs. 199-6 to Rs. 205-10. Hydro Electrics were a shade quieter with the exception of Tata Hydros which ruled firm on the declaration of a final dividend of Rs. 5 and reports of an issue of fresh capital on certain advantageous terms to present holders. Scindia Steams firmed up further to Rs. 21-4 (26th) on expectation of Re. 1 dividend per share as against 6 annas in the previous year. Following reports, however, that the Company contemplated fresh issue of 400,000 shares to present holders at Rs. 15, there was good selling, depressing the rate to Rs. 19.

Market tone improves ; prices advance.

Early in September, market developed a weak tone under heavy selling pressure by bears as well as tired holders. There was an all round recession in prices and cotton mill shares were particularly marked down on reports of failure of monsoon in the cotton districts. Bombay Dyeings dropped to Rs. 641-4, Centurys to Rs. 118-12. Cement shares dropped considerably in the belief that the prospective value of merger shares hardly justified the existing rates. Bundis dropped from Rs. 36-14 to Rs. 34-8, Indian Cements from Rs. 491-4 to Rs. 478-2 and Katni Deferreds by over 200 points to Rs. 2,102-8. Steel shares suffered a sympathetic fall, Tata Deferreds declining to Rs. 715 and Ordinarys to Rs. 183. Bombay Burmas lost 10 points and Belapurs 5. Hydro Electrics were the only section that was steady with Tata Hydros in the lime-light. The price advanced from Rs. 189-11 to Rs. 194-11. The market remained comparatively dull during the remainder of September with only minor fluctuations. Even the far reaching changes in the currencies of the gold bloc countries had little or no immediate effect. In fact the markets had already discounted the immediate effects of the devaluation of the French franc. Steel shares which were expected to suffer as a consequence of devaluation were well maintained and even showed an improvement. The uncertainty regarding the French franc had actually tended the investors to keep aloof from this section, but with its removal, the undertone of the market became healthier. The adoption of managed currency by Holland was expected to affect adversely the sugar shares but all apprehensions in this regard were removed by the Hon'ble the Finance Member of the Government of India, who in reply to a question in the Legislative

Selling pressure weakens market.

Franc devalued ; no effect on market.

Assembly, stated that " Government of India have received information from an official source that the guilder export price of sugar from the Netherlands Indies will be increased by an amount proportionate to the depreciation of the guilder. The rupee price of the imports from Java will therefore be unaffected by the departure of Holland from the gold standard." The sugar shares which were expected to suffer by the guilder devaluation were likewise maintained. Prices accordingly recovered and in the middle of October the market assumed a buoyant tone after several weeks of dullness and there was a sharp rally in prices. There was considerable general buying following news from Europe that the re-armament programme was being carried out with full force in all European states causing a great strain on the visible supply of iron and steel and such other products. The factories are reported to be working at full speed abroad as well as in India and there were orders in hand for 6 to 12 months supply. As a consequence, Tata Deferreds advanced from Rs. 716-14 to Rs. 815 (17th Oct.) and Ordinarys from Rs. 184-4 to Rs. 206-4. Tata Second Preference shares also improved to Rs. 173-8. Bombay Burmas advanced in sympathy and were in good demand at Rs. 531-4. Even the declaration of the dividend of Rs. 12-8 which was a little lower than the market expectation, prices were practically unchanged. The Company was reported to have done good business during the past few months owing to better demand for timber at higher prices. Even the cotton mill shares which had been neglected and looked easier also firmed up. Bombay Dyeings advanced to Rs. 687-8 and Centurys to Rs. 135. Hydro Electric shares improved in sympathy with the gilt-edged and there was a rise of about 30 points in Andhra Valleys and Tata Powers and 2 points in Hydros. Cement shares remained neglected pending further details regarding the merger company. The buoyant tone and active trading continued through the second half of October and special attention was paid to Steels, Bombay Burmas and the Cotton Mill group of shares. There were intermittent reactions on profit-taking, but the undertone remained quite healthy The price of steel shares surpassed all previous records since 1921, Tata Deferreds being done as high as Rs. 827-8 and Ordinarys at Rs. 205-4. Bombay Burmas rallied sharply by 20 points to Rs. 551-4. The rise in the price of rubber to 8*d*. a pound and continued good demand for timber at rising prices were the contributory factors in the price of Bombay Burmas. Bombay Dyeings rose to as high as Rs. 737-8 and Belapur sugar touched Rs. 216-4.

General buying.

Steel shares advance.

Cements neglected.

At higher levels there was a tendency to take profit and there was a small set-back in steel shares and the turnover was rather restricted owing to the incidence of the approach of Divali Holidays. There were also two or three failures in the share bazar since the firms of brokers were unable to meet their commitments for the November settlement, but the amounts involved were negligible and did not affect the market. The Hydro-Electric group was the only outstanding feature, where prices hardened. Tata Hydros advanced from Rs. 185-5 to Rs. 194-6, Tata Powers from Rs. 1,572-8 to Rs. 1,595 and Andhra Valleys from Rs. 1,651-4 to Rs. 1,701-4. Cements were coming into the lime light after a long lapse of time in general sympathy and there was a fair demand for all scrips, Bundis advancing to Rs. 38-4 (11th), and Punjabs to Rs. 27-14. Scindia Steams which had dropped at the issue of fresh capital to as low as Rs. 17, improved to Rs. 20 on bear covering. The market reopened after the Divali holidays in a more cheerful tone and

Natural profit-taking.

Cements in lime light.

activity revived once again, with prices advancing all round. Steels were the most favourite counter and all previous records were surpassed. Tata Second Preference shares which were stationary around Rs. 173 showed a marked improvement to Rs. 181 (19th). Reports from all quarters that prices of steel manufactures were moving up pretty rapidly were responsible for the rise. In the local market prices of steel plates, black sheets and galvanized sheets have all advanced by 5 to 10 points which was a clear indication that there was no Japanese competition, which had at one time been the scare in the market. Tata Deferreds advanced to Rs. 861-4 (21st) and Ordinarys to Rs. 218-4. Cotton mill shares also moved in sympathy and on reports of better consumption demand. Hydro-Electrics improved further, Tata Powers advancing about 30 points to Rs. 1,638-12 (20th) and Andhra Valleys to Rs. 1,722-8. Tata Hydros were a shade easier at Rs. 193-12. The activity revived in cement shares the previous week continued and, it is reported that the Associated Cement Company's shares were dealt in at Rs. 155. Bombay Burmas were in good demand and touched Rs. 565 (17th). Insurance companies shares drew considerable attention in anticipation of protective legislation. New Indias advanced to Rs. 48-12 and Jupiters which had been neglected at Rs. 13 were placed at Rs. 16-14. Premier Construction shares were also becoming attractive to investors, the price moving from Rs. 85-4 to Rs. 90.

Further rise in Steels.

Bombay Burma's in good demand.

On November 24, the Bombay Government announced the appointment of a Special Committee to inquire into the organization and working of the Bombay Stock Exchange and to consider whether any modifications were desirable in the interests of the investing public. The Committee is to begin work early in January and its investigations were likely to take two months. The report would be ready by the end of March and Government orders were expected in April. This announcement caused a certain amount of nervous feeling among speculators and there was considerable profit-taking at higher levels causing sharp drop in prices. The undertone of the market was, however, quite steady and in fact the technical position would seem to have improved on tired liquidation. As a consequence, Tata Powers declined from the high level of Rs. 1,671-4 to Rs. 1,622-8 (26th). Tata Deferreds receded from Rs. 861-4 to Rs. 823-12 and Ordinarys from Rs. 218-4 to Rs. 211. Tata Second Preference were slightly easier at Rs. 179. Cotton Mill shares, on the other hand, were steady, Bombay Dyeings ranging between Rs. 776-4 and Rs. 750 and Central Indias between Rs. 253-2 and Rs. 238-12. Cements, banks and insurance shares were also easier in sympathy.

Inquiry committee appointed.

Further rise in cotton mills.

The nervousness caused by the above announcement lasted only temporarily and the market presented a steadier tone in the first week of December. There were, however, comparatively wider fluctuations following reports regarding the political disturbances on the Continent of Europe. Cotton mill shares were outstandingly steady and some of the leaders gained as much as 30 points. Steel shares were quite steady despite considerable liquidation, Tata Ordinarys, being quoted at Rs. 220 and Tata Deferreds Rs. 852-8(3rd). Cement shares improved and there was a good demand for all scrips. Hydro-Electrics were easier in sympathy with gilt-edged, Tata Powers declining from Rs. 1,630 to Rs. 1,607-8, Andhra Valleys from Rs. 1,705 to Rs. 1,695 and Tata Hydros from Rs. 190-10 to Rs. 189-6. Sugar shares were

Wide fluctuations.

easy on the note of warning issued by the President of the sugar companies conference held at Cawnpore of over production and consequent internal competition. As a result, Belapurs declined from Rs. 203-12 to Rs. 195-10.

Constitutional crisis causes hesitancy.

In the second week of December the market looked a little hesitant on account of the constitutional crisis in Great Britain and prices moved within a narrow range. Tata Powers were weak, the price receding to Rs. 1,596-4 (8th), following the sale of 1,000 forfeited shares by the Tata Power Company, which dampened the enthusiasm of the operators. Cement shares were the only bright spot during this week, prices advancing much further. The merger shares were done as high as Rs. 165. There were good buyers for all other scrips, Bundis touching Rs. 40-14 and Indian Cements Rs. 539-6.

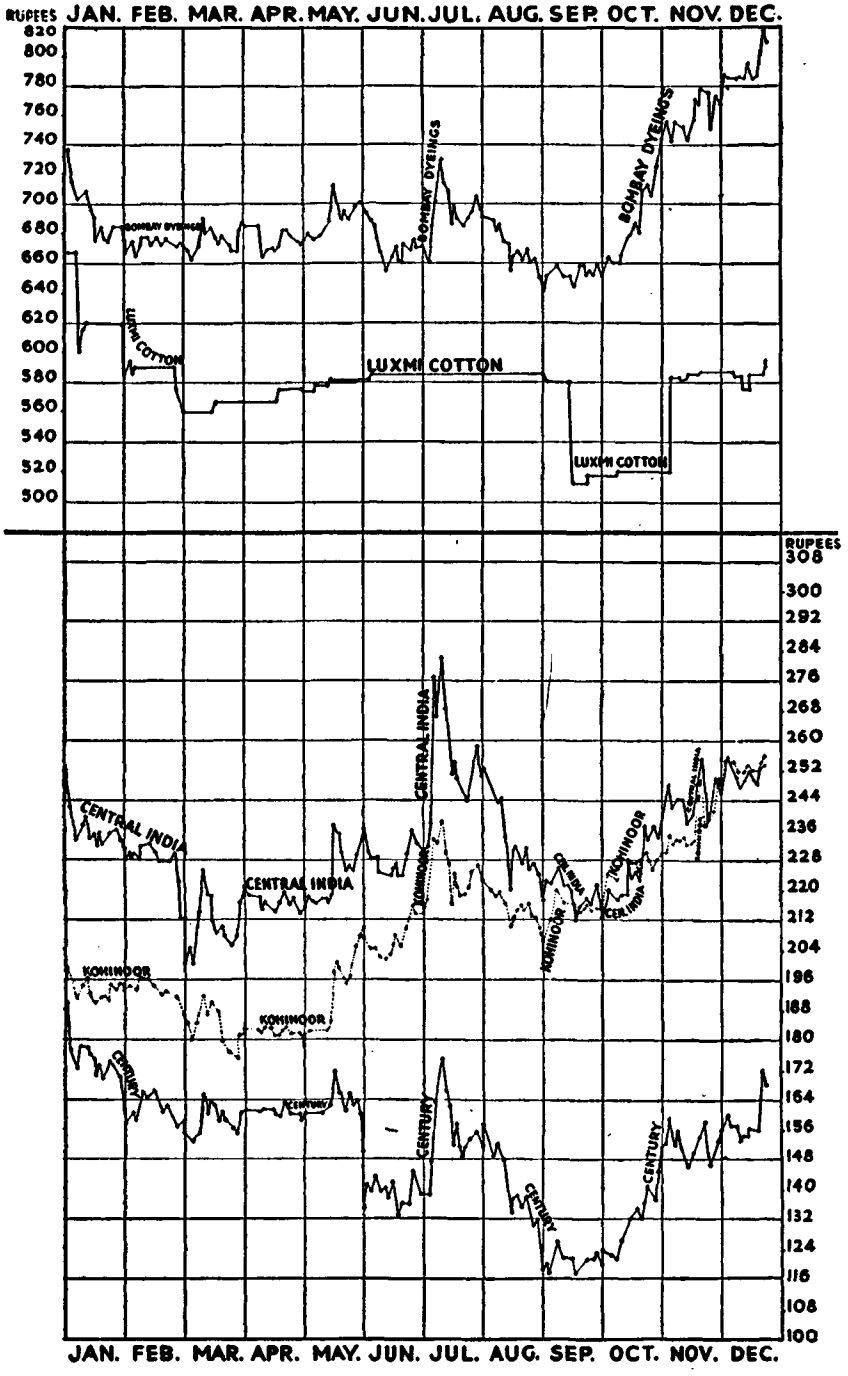
Activity revives.

The constitutional issue having been peacefully settled the markets once again assumed an upward trend. There was a big bear account on the market which was being covered owing to the approach of the Christmas holidays. With encouraging advices from all markets and prices advancing for all commodities, share values rose sharply in the third week in all sections, breaking all previous records. Tata Steel Deferreds advanced to as high as Rs. 960 (22nd), the highest price of the year and Ordinarys to Rs. 247. Cotton Mill shares were also firm, Bombay Dyeing improved to Rs. 817-8 and Centurys to Rs. 171-14. Bombay Burmas were in good demand, the quotation at he close being Rs. 582-8. The undertone at the close of the market was very firm. Scindia Steams advanced to Rs. 23-12 following the successful issue of fresh capital and Premier Constructions gained to Rs. 104. The closing week in the share market was a hectic one with a large turnover in all sections. The bear account was more active in covering, which coupled with bull support, caused a big rise in prices.

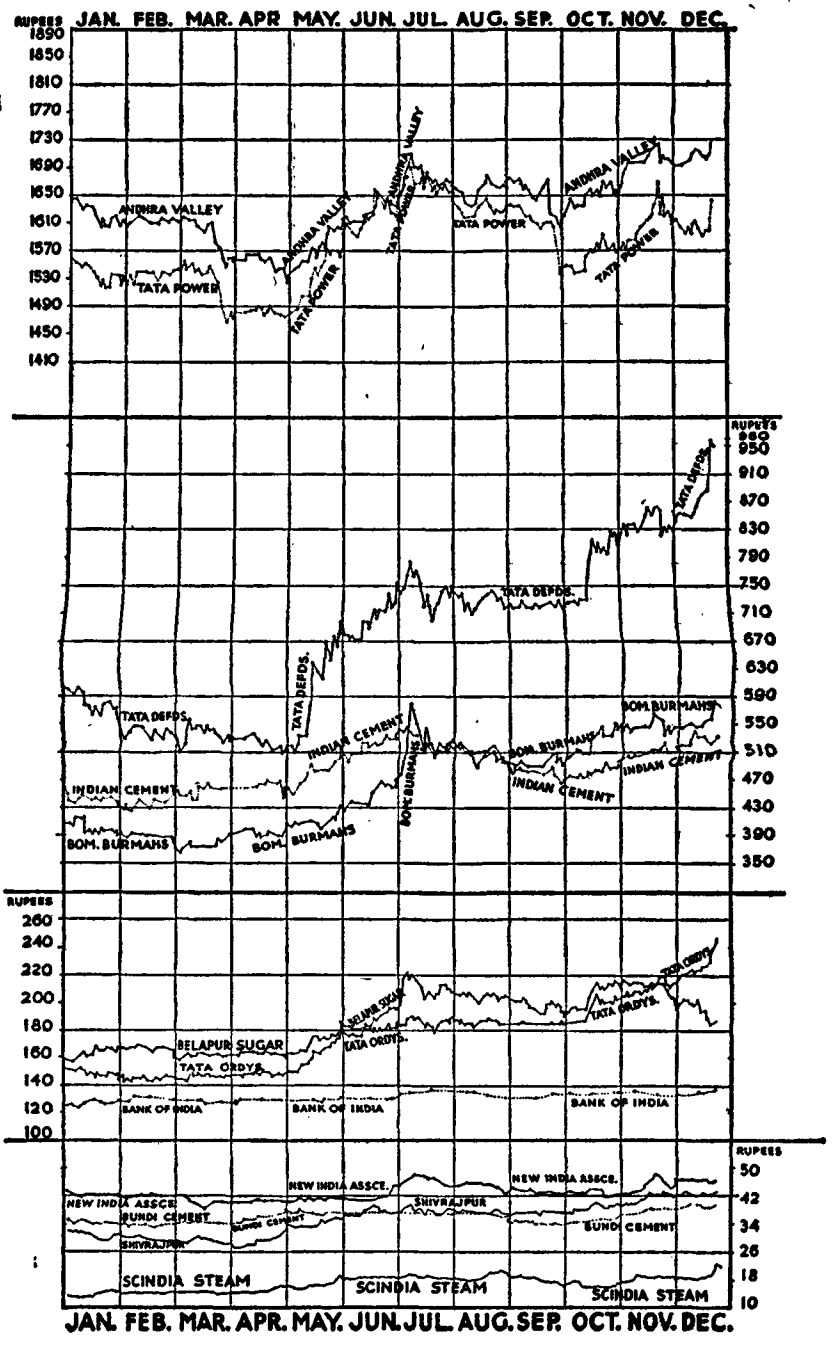
Steels advance considerably.

Hectic conditions at close.

COTTON MILL SHARES 1936.



MISCELLANEOUS SHARES CHART 1936.



STATISTICS.

EXCHANGE VARIATIONS IN 1936.

Highest and lowest market selling quotations of Spot T.T. on London.

Months.	Highest.	Lowest.	Average.
January 1936 ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
February „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
March „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
April „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
May „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
June „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
July „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
August „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
September „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
October „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
November „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
December „ ..	1s. 6-1/8d. ..	1s. 6-3/32d. ..	18·10800d.
		Average for the year ..	18·09493d.

GOVERNMENT STERLING REMITTANCES 1936.

Week ending.	Purchases of Sterling in India by tender and on tap.						Total Amount remitted.	Other transfers.
	Amount of tenders.	Amount of tenders accepted.	Rate.	o/o of allotment.	Amount of purchases on tap.	Rate.		
	£	£			£		£	£
3-1-36	46,900,000	1,000,000	1/6-1/8	2%	100,000	1/6-5/32	1,100,000	....
10-1-36	48,200,000	1,000,000	,,	2%	....	....	1,000,000	....
17-1-36	53,500,000	1,000,000	,,	2%	300,000	1/6-5/32	1,300,000	....
24-1-36	45,850,000	1,000,000	,,	2%	....	....	1,000,000	....
31-1-36	1,120,000	1,000,000	,,	89%	....	....	1,000,000	....
7-2-36	345,000	345,000	,,	....	....	....	345,000	....
14-2-36	14,485,000	1,000,000	,,	7%	....	....	1,000,000	....
21-2-36	2,852,000	1,000,000	,,	35%	....	....	1,000,000	....
28-2-36	250,000	250,000	,,		....	....	250,000	....
6-3-36	165,000	165,000	,,	....	....	....	165,000	....
13-3-36	980,000	980,000	,,	....	....	....	980,000	....
20-3-36	5,300,000	1,000,000	,,	19%	....	....	1,100,000	....
27-3-36	16,185,000	1,000,000	,,	6%	....	....	1,000,000	....
3-4-36	16,160,000	1,000,000	,,	6%	....	....	1,000,000	....
10-4-36	3,750,000	1,000,000	,,	27%	....	....	1,000,000	....
17-4-36	4,705,000	1,000,000	,,	21%	....	....	1,000,000	....
24-4-36	570,000	570,000	,,	....	....	....	570,000	....
1-5-36	275,000	275,000	,,	....	....	....	275,000	....
8-5-36	330,000	330,000	,,	....	....	....	330,000	....
15-5-36	125,000	125,000	,,	....	....	....	125,000	....
22-5-36	All tenders were rejected		,,	....	....	....	....	....
29-5-36	270,000	270,000	,,	....	....	....	270,000	....
5-6-36	150,000	150,000	,,	....	....	....	150,000	....
12-6-36	790,000	790,000	,,	80%	....	....	790,000	....
19-6-36	1,245,000	1,000,000	,,	....	....	....	1,000,000	....
26-6-36	285,000	285,000	,,	....	....	....	285,000	....
3-7-36	320,000	320,000	,,	....	....	....	320,000	....
10-7-36	890,000	890,000	,,	....	....	....	890,000	....
17-7-36	945,000	945,000	,,	....	....	....	945,000	....
24-7-36	250,000	250,000	,,	....	....	....	250,000	....
31-7-36	150,000	150,000	,,	....	....	....	150,000	....
7-8-36	635,000	635,000	,,	....	....	....	635,000	....
14-8-36	295,000	295,000	,,	....	....	....	295,000	....
21-8-36	90,000	90,000	,,	....	....	....	90,000	....
28-8-36	410,000	410,000	,,	....	....	....	410,000	....
4-9-36	565,000	565,000	,,	....	....	....	565,000	....
11-9-36	1,830,000	1,000,000	,,	55%	....	....	1,000,000	....
18-9-36	26,335,000	1,000,000	,,	4%	....	....	1,000,000	....
25-9-36	34,150,000	1,000,000	,,	3%	....	....	1,000,000	....
2-10-36	27,800,000	1,000,000	,,	4%	....	....	1,000,000	....
9-10-36	35,950,000	1,000,000	,,	3%	....	....	1,000,000	....
16-10-36	15,250,000	1,000,000	,,	7%	....	....	1,000,000	....
23-10-36	11,800,000	1,000,000	,,	8%	....	....	1,000,000	....
30-10-36	5,100,000	1,000,000	,,	20%	....	....	1,000,000	....
6-11-36	9,950,000	1,000,000	,,	10%	....	....	1,000,000	....
13-11-36	30,800,000	1,000,000	,,	3%	....	....	1,000,000	....
20-11-36	41,700,000	1,000,000	,,	2%	....	....	1,000,000	....
27-11-36	39,700,000	1,000,000	,,	3%	....	....	1,000,000	....
4-12-36	47,200,000	1,000,000	,,	2%	....	....	1,000,000	....
11-12-36	55,000,000	1,000,000	,,	2%	....	....	1,000,000	....
18-12-36	57,400,000	1,000,000	,,	2%	475,000	1/6-5/32	1,475,000	....
25-12-36	59,200,200	1,000,000	,,	2%	1,505,000	,,	2,505,000	....
1-1-37	59,400,000	1,000,000	,,	2%	1,425,000	,,	2,425,000	....
Total ..	727,902,000	39,085,000			3,805,000		42,890,000	

Note.—From April 1, 1935 the Currency operations were made by the Reserve Bank of India.

RESERVE BANK OF INDIA.

(IN RUPEES 00,000'S OMITTED.)

ISSUE DEPARTMENT.

Average of Friday Figures.	Notes in circulation.	Notes held in the Banking Department.	Sterling Securities.	Rupee Securities.	Gold coin and bullion.	Rupee coin.	Percentage of Gold & Sterling Securities to Total Notes issued.
1936.							
January ..	1,68,96	24,67	66,19	25,54	44,42	57,48	57.12
February ..	1,68,73	25,46	66,75	24,98	44,42	58,04	57.25
March	1,69,98	24,95	67,32	24,42	44,42	58,77	57.32
April	1,71,72	23,64	67,82	23,93	44,42	59,19	57.45
May	1,69,27	26,40	68,32	23,44	44,42	59,49	57.61
June	1,66,20	31,78	68,32	23,46	44,42	61,78	56.95
July	1,63,32	37,31	67,72	23,40	44,42	65,00	55.89
August ..	1,63,34	38,54	67,32	23,40	44,42	66,74	55.35
September ..	1,65,37	37,36	67,32	23,40	44,42	67,59	55.11
October ..	1,69,62	33,33	67,32	23,42	44,42	67,79	55.06
November ..	1,75,39	26,97	67,32	23,41	44,42	67,21	55.22
December ..	1,83,70	16,91	67,32	23,41	44,42	65,47	55.69

BANKING DEPARTMENT.

Average of Friday Figures.	LIABILITIES. Govt. Deposits.	Banks Deposits.	Other Deposits.	Total Deposits.	Other Liabilities.	ASSETS. Balances held abroad.	Loans and Advances to Govt.	Investments.	Other Assets.
1936.									
January ..	6,21	34,69	30	41,20	1,08	17,55	4,40	5,29	29
February ..	6,61	35,63	36	42,60	72	20,00	2,25	5,16	36
March	6,98	36,59	32	43,89	60	21,70	2,25	5,07	42
April	6,98	35,73	28	42,99	74	20,98	3,50	5,02	55
May	9,21	31,54	39	41,14	81	15,95	3,80	5,15	55
June	15,45	27,44	43	43,32	80	15,39	..	6,05	80
July	9,13	32,49	46	42,08	97	7,17	1,80	5,90	78
August ..	6,62	33,25	43	40,30	1,14	3,30	3,00	5,78	69
September ..	9,23	29,12	40	38,75	1,29	5,21	1,00	5,57	76
October ..	9,57	25,92	33	35,82	1,56	6,90	40	5,56	1,08
November ..	8,11	25,03	43	33,57	1,69	10,34	1,25	5,53	1,05
December ..	7,26	21,31	42	29,00	1,99	13,59	3,00	6,28	1,12

SCHEDULED BANKS CONSOLIDATED POSITION.

(EACH ASSET IS ALSO SHOWN AS A PERCENTAGE OF TOTAL LIABILITIES.)

Average of Friday Figures.	Cash in India and Balances with the Reserve Bank.		Demand Liabilities in India.	Time Liabilities in India.	Advances in India.		Bills discounted in India.	
1936.								
January ..	40,28	13.12	122,98	99,35	84,68	38.09	3,98	1.79
February ..	40,84	13.44	120,60	100,87	87,98	39.73	5,20	2.35
March	41,48	13.70	120,46	101,30	92,09	41.53	5,94	2.68
April	41,01	13.48	120,93	101,00	95,05	42.83	6,02	2.71
May	36,76	16.40	122,53	101,66	93,30	41.62	5,74	2.56
June	33,17	14.87	122,91	100,19	91,92	41.20	4,76	2.13
July	38,28	16.88	126,62	100,11	89,09	39.29	3,45	1.52
August ..	38,69	16.85	128,88	100,79	87,35	38.03	2,61	1.14
September ..	34,60	14.98	129,04	101,22	86,47	37.55	2,51	1.09
October ..	31,53	13.66	131,39	99,47	86,72	37.56	2,65	1.15
November ..	30,69	13.22	132,30	99,88	89,22	38.43	3,57	1.54
December ..	27,46	11.79	131,60	101,13	93,45	40.16	4,83	2.07

CLEARING HOUSE RETURNS.

Week Ended.	Bombay.	Calcutta.	Cawnpore.	Delhi.	Karachi.	Lahore.	Madras.	Rangoon	Total.	Progressive Total.
1936.										
January ..	61,55	86,86	1,21	1,58	3,05	99	6,98	7,54	1,69,76	1,69,76
February ..	55,88	70,09	1,14	1,23	2,39	95	6,09	6,65	1,44,42	3,14,18
March ..	50,68	66,69	1,40	1,38	2,68	96	6,14	7,17	1,37,10	4,51,28
April ..	57,44	65,85	1,25	1,22	2,67	90	6,05	6,70	1,42,08	5,93,36
May ..	82,27	83,31	1,13	1,27	2,91	106	7,70	7,61	1,87,26	7,80,62
June ..	52,77	59,40	66	93	1,91	77	5,56	5,62	1,27,62	9,08,24
July ..	73,88	76,25	79	1,32	2,51	104	8,58	6,86	1,71,23	10,79,47
August ..	49,26	64,02	68	98	2,33	79	6,23	5,25	1,29,54	12,09,01
September ..	44,25	72,57	81	1,06	2,27	80	6,43	5,00	1,33,19	13,42,20
October ..	67,21	81,49	1,04	1,34	3,00	100	8,59	6,21	1,69,88	15,12,08
November ..	55,26	82,35	85	1,25	2,45	88	7,37	5,88	1,56,29	16,68,37
December ..	59,29	76,83	83	1,37	2,54	88	7,46	6,97	1,56,12	18,24,49
Total to end of December ..	709,74	885,71	11,79	14,93	30,71	10,97	83,18	77,46	18,24,49	18,24,49

TRADE OF INDIA—1936.

Imports and Exports of Merchandise and Treasure.

(In Rupees, 00,000's omitted.)

Months.	Exports including re-exports.	Imports.	Balance of Trade in Merchandise only.	Treasure —Net Imports +Net Exports.	Remittances to Secy. of State (adverse to India).	Balance of trade excluding Government Remittances.	The Net balance of trade + in favour — against India.
January 1936	14,33·63	13,06·78	+1,26·85	+2,90	— 6,97	+4,16·85	—2,80·15
February „	15,41·40	10,49·34	+4,91·96	+ 86	— 3,49	+5,77·96	+2,28·96
March „	16,36·11	10,79·34	+5,56·77	+1,06	— 4,18	+6,62·77	+2,44·77
April „	15,33·33	10,12·08	+5,21·25	+1,90	— 475	+7,11·25	+2,36·25
May „	14,50·29	10,05·05	+4,45·24	+1,00	— 1,36	+5,45·24	+4,09·24
June „	13,48·47	9,79·53	+3,68·94	+1,41	— 2,98	+5,09·94	+2,11·94
July „	14,45·90	10,08·79	+4,37·11	+3,01	— 3,40	+7,38·11	+3,98·11
August „	14,22·36	9,29·17	+4,93·19	+1,36	— 2,00	+6,29·19	+4,29·19
September „	15,18·40	9,50·77	+5,67·63	+1,24	— 4,73	+6,91·63	+2,18·63
October „	16,61·46	10,67·37	+5,94·09	+1,30	— 6,63	+7,24·09	+61·09
November „	17,45·07	10,61.75	+6,83·32	+1,06	— 5,36	+7,89·32	+2,53·32
December „	17,88·42	9,97·74	+7,90.68	+90	—11,05	+8,80·68	— 224·32
Total for 1936	185,24·84	124,47·81	+60,77.03	+18,00	— 56,90	+78,77·03	+21,87.03

Source of information :—" Accounts relating to the Sea-borne Trade and Navigation of British India."

RAW MATERIALS—PRODUCTION AND EXPORTS.

(000's omitted.) (In Tons.)

Commodities.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.
	World.	India.		World.	India.		World.	India.	
	1933-34.			1934-35.			1935-36.		
Cotton (Raw)	5,586	901	+ 461	5,057	864	+ 563	5,488	1,010	+ 530
Jute (Raw)	1,437	1,437	+ 748	1,539	1,526	+ 752	1,160	1,151	+ 771
Rice	88,984	46,143	+ 1,644	83,104	44,598	+ 1,198	81,340	41,442	+ 1,184
Groundnuts	5,949	3,336	+ 547	4,616	1,875	+ 511	....	1,927	+ 413
Linseed	2,381	404	+ 379	2,803	374	+ 238	2,421	416	+ 164
Rape Seed	1,218	1,042	+ 73	1,180	939	+ 37	1,235	891	+ 19
Seasamum	719	539	+ 15	627	406	+ 4	706	434	+ 1
Cane Sugar	14,337	2,911	— 235	14,083	3,038	— 195	15,278	3,528	— 176
Cotton Seed	11,486	2,100	+ 6	10,604	2,013	+ .6	11,662	2,352	+ .7

* Source of information: 'League of Nations Statistical Year Book 1935-36.'

** Source of information: 'Sea-borne Trade and Navigation of British India.'

INDIA'S CROPS :—SEASONS AND EXPORT VALUE.

Name of Article.	Crops sown.	Crops harvested.	Export commences.	Value of Exports from Dec. 1935 to 30th November 1936.
				(Thousands of Rupees)
Rice	May/June	November/December..	January.. ..	10,10,87
Jute	May/June	September/October ..	November ..	39,77,15
Cotton	May/June and October	October/November and April/May.	November ..	42,94,99
Tea	....	June/January ..	July	20,53,40
Cottonseed ..	....	October/November ..	December ..	61
Maize	July	October/November ..	December ..	8
Tilseed	July and October ..	November and March.	December/January.	8,83
Rapeseed ..	August/October ..	February/March ..	April/May ..	43,42
Mustardseed ..	August/October ..	February/March ..	April/May ..	4,27
Gram	September/October ..	February/March ..	May	11,79
Lentils	October	February/March ..	Late March ..	29,45
Peas (Beans) ..	October	March	April/May ..	29,11
Linseed ..	October	March/April	May	4,18,04
Barley	October/November ..	March/April	May	2,51
Wheat	October/November ..	April	May	1,74,67
Groundnut ..	August	December	January	9,07,00

* Value includes raw and manufactured articles.

CURRENCY RETURNS FOR EACH QUARTER.

In rupees. (00,000's omitted).

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1914.					
Jan.-Mar. ..	66,12	63,94	52,12	49,94	78·46
Apr.-June ..	70,26	65,46	56,26	51,46	79·34
July-Sept. ..	75,45	60,52	61,45	46,52	79·15
Oct.-Dec. ..	61,19	60.78	47,19	46,78	77·04
1915.					
Jan.-Mar. ..	61,63	59,55	47,63	45,55	76·89
Apr.-June ..	66,48	60,24	52,48	46,24	77·85
July-Sept. ..	63,06	63,81	54,06	49,81	78·74
Oct.-Dec. ..	63,59	62,06	49,59	48,06	77·71
1916.					
Jan. Mar. ..	67,73	62,42	47,73	45,51	71·68
Apr.-June ..	71,39	65,47	48,23	43,25	66·81
July-Sept. ..	75,48	71,55	52,42	48,49	68·60
Oct.-Dec. ..	82,17	73,32	50,12	41,21	58·60
1917.					
Jan.-Mar. ..	86,76	84,36	40,47	37,58	45·59
Apr.-June ..	93,29	82,72	32,11	30,64	35·72
July-Sept. ..	108,43	99,31	46,95	37,83	40·69
Oct.-Dec. ..	114,77	108,31	53,29	46,83	44·83
1918.					
Jan.-Mar. ..	104,82	99,79	43,34	38,31	39·86
Apr.-June ..	114,79	105,96	37,37	36,39	33·45
July-Sept. ..	134,38	121,41	48,39	38,75	33·96
Oct.-Dec. ..	147,09	136,43	54,77	50,44	37·10
1919.					
Jan.-Mar. ..	153,46	149,74	54,88	51,16	34·96
Apr.-June ..	162,76	153,72	64,18	55,14	37·65
July-Sept. ..	171,86	167,11	72,33	68,53	41·54
Oct.-Dec. ..	182,91	175,28	83,38	75,76	44·40
1920.					
Jan.-Mar. ..	185,15	174,52	87,66	84,94	48·00
Apr.-June ..	170,74	164,34	91,52	84,97	52·65
July-Sept. ..	163,87	157,63	94,98	94,21	58·86
Oct.-Dec. ..	161,41	159,58	93,79	83,16	55·10
1921.					
Jan.-Mar. ..	166,16	163,41	89,74	86,99	53·61
Apr.-June ..	171,76	167,32	95,42	90,91	54·94
July-Sept. ..	178,37	175,56	103,10	99,16	54·38
Oct.-Dec. ..	179,72	172,53	104,31	98,29	57·50
1922.					
Jan.-Mar. ..	174,76	173,87	103,84	99,16	58·22
Apr.-June ..	176,01	171,76	105,05	100,83	59·19
July-Sept. ..	182,26	180,41	113,99	109,41	61·59
Oct.-Dec. ..	179,63	174,18	115,42	110,91	63·96
1923.					
Jan.-Mar. ..	174,70	172,65	111,37	109,37	63·54
Apr.-June ..	173,61	171,23	110,27	107,88	63·25
July-Sept. ..	179,29	175,72	121,81	114,36	64·19
Oct.-Dec. ..	183,41	178,30	123,34	108,93	64·16
1924.					
Jan.-Mar. ..	186,19	184,02	104,50	102,32	55·86
Apr.-June ..	181,33	172,49	100,97	98,98	56·52
July-Sept. ..	179,26	176,24	107,95	104,89	54·87
Oct.-Dec. ..	180,98	179,21	108,86	103,09	58·83

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1925.					
Jan.-Mar. ..	184,19	181,12	100,00	98,60	54·36
Apr.-June ..	183,85	173,23	101,07	95,13	54·93
July-Sept. ..	189,51	179,46	112,40	101,07	57·82
Oct.-Dec. ..	191,87	189,61	112,50	105,65	57·17
1926.					
Jan.-Mar. ..	193,34	190,45	107,23	104,33	55·00
Apr.-June ..	191,44	184,91	113,24	106,47	57·82
July-Sept. ..	201,09	192,65	125,05	144,41	61·06
Oct.-Dec. ..	196,52	181,18	127,88	124,93	66·59
1927.					
Jan.-Mar. ..	184,13	180,03	126,79	124,23	68·90
Apr.-June ..	181,60	169,68	137,10	133,10	77·40
July-Sept. ..	181,81	173,69	144,71	138,23	79·88
Oct.-Dec. ..	183,37	178,57	145,34	138,28	78·53
1928.					
Jan-Mar. ..	186,28	182,65	137,32	135,12	73·32
Apr.-June ..	186,09	177,15	135,36	127,93	72·14
July-Sept. ..	184,59	178,11	136,65	130,50	73·64
Oct.-Dec. ..	189,10	183,24	136,59	131,80	72·99
1929.					
Jan.-Mar. ..	192,47	188,03	132,17	130,92	69·17
Apr.-June ..	188,98	182,82	134,86	130,62	71·45
July-Sept. ..	187,69	185,02	145,21	136,21	76·15
Oct.-Dec. ..	187,21	179,10	145,80	140,27	78·45
1930.					
Jan.-Mar. ..	181,60	177,23	143,22	138,32	77·72
Apr.-June ..	174,14	163,72	144,66	142,30	84·35
July-Sept. ..	172,36	164,71	154,03	145,60	89·15
Oct.-Dec. ..	173,06	161,34	155,37	151,73	92·27
1931.					
Jan.-Mar. ..	160,99	156,53	151,59	145,29	92·95
Apr.-June ..	160,25	152,53	152,94	146,57	95·58
July-Sept. ..	156,51	146,22	149,34	136,74	94·74
Oct.-Dec. ..	179,30	153,93	136,15	126,55	81·47
1932.					
Jan.-Mar. ..	182,31	177,64	125,98	115,71	66·16
Apr.-June ..	174,62	167,83	122,66	115,54	70·41
July-Sept. ..	175,77	171,66	126,62	123,46	71·90
Oct.-Dec. ..	175,91	174,75	130,18	124,29	72·15
1933.					
Jan.-Mar. ..	176,89	174,15	137,85	134,83	77·67
Apr.-June ..	176,66	175,46	137,84	131,67	76·94
July-Sept. ..	179,76	176,97	134,72	132,90	74·87
Oct.-Dec. ..	180,04	177,88	134,29	131,73	74·30
1934.					
Jan.-Mar. ..	178,38	176,58	139,51	131,61	76·90
Apr.-June ..	180,87	176,75	139,37	137,24	77·40
July-Sept. ..	185,06	181,58	140,94	139,43	76·25
Oct.-Dec. ..	185,63	183,91	139,36	136,62	74·65
1935.					
Jan.-Mar. ..	186,10	182,85	137,19	131,66	72·63
Apr.-June .	188,01	185,50	96,32	93,82	50·78
July-Sept. ..	194,12	188,82	102,43	97,14	52·16
Oct.-Dec. ..	194,96	193,27	103,24	101,54	52·81
1936.					
Jan.-Mar. ..	195,57	193,29	103,83	101,56	52·76
Apr.-June. ..	199,45	195,03	107,73	103,28	53·24
July-Sept. ..	203,22	200,07	112,48	108,35	54·93
Oct.-Dec. ..	203,30	199,15	112,56	108,42	55·09

PRICE OF GOLD—1936.

Months.	PRICE IN LONDON PER FINE OUNCE (SPOT.)		
	Highest.	Lowest.	Average.
	s. d.	s. d.	s. d.
January	141 4 (2)*	140 7½ (25)	140 10·8333
February	141 2 (18, 29)	140 6 (4, 10)	140 10·9000
March	141 1½ (1)	140 8 (31)	140 11·8077
April	141 0½ (23)	140 7 (4)	140 9·6739
May	140 10 (1, 2)	139 3 (30)	140 1·0384
June	139 4 (8)	138 3 (17)	138 8·3200
July	139 1½ (4)	138 7 (20)	138 10·5185
August	138 8 (1)	138 2 (19, 26)	138 4·2400
September	140 9 (28)	137 2½ (23)	137 11·9400
October	142 11½ (19)	140 5½ (1)	141 11·0185
November	142 8½ (9)	141 10½ (24)	142 3·2000
December	142 1 (7)	141 4 (29)	141 8·2800
		Average for the year ..	140 3·4808

Months.	PRICE IN BOMBAY PER TOLA (SPOT.)		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	34 14 3 (6–8)	34 8 9 (11)	34 12 2
February	34 13 6 (18, 20—24)	34 8 3 (4)	34 11 11
March	34 13 3 (1, 2, 5, 7, 13)	34 10 9 (26)	34 12 5
April	34 14 9 (23)	34 10 6 (2)	34 12 11
May	34 13 9 (1–4)	34 6 3 (30)	34 10 2
June	34 7 9 (2)	34 1 0 (4)	34 5 1
July	34 5 6 (1, 6, 7)	34 3 6 (11)	34 4 8
August	34 5 9 (4, 5)	34 3 0 (20)	34 4 4
September	35 8 0 (28)	33 15 3 (14)	34 3 2
October	35 3 9 (30, 31)	34 12 6 (1)	35 1 11
November	35 5 9 (7, 9)	35 1 3 (24)	35 3 5
December	35 2 9 (5)	35 0 0 (29)	35 1 4
		Average for the year ..	34 11 0

* Figures within brackets indicate the date on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF GOLD—1936.

Months.	Monthly import value of bar gold and coin into British India.	Monthly Export of bar gold and coin from British India.		Monthly estimated off-take in Bombay.*	Estimated stock at the end of each month in Bombay.
		Value.	Ozs.		
	Rs.	Rs.		Tolas.	Tolas.
January ..	5,77,489	3,71,17,338	400,923	60,000	100,000
February ..	3,04,193	2,63,88,631	284,748	60,000	75,000
March ..	5,03,563	2,08,42,365	224,758	75,000	200,000
April ..	7,17,231	2,79,88,777	303,606	90,000	100,000
May ..	28,92,446	3,28,06,718	353,848	75,000	100,000
June ..	9,07,428	2,79,58,630	305,817	60,000	250,000
July ..	11,91,652	4,04,83,248	442,593	90,000	125,000
August ..	17,25,662	2,25,74,296	246,985	60,000	75,000
September ..	6,64,969	2,21,31,425	243,823	60,000	100,000
October ..	9,01,966	3,19,07,804	340,510	75,000	100,000
November ..	7,43,346	2,58,28,780	275,101	75,000	100,000
December ..	8,44,299	1,55,71,293	166,405	60,000	50,000
Total ..	1,19,74,244	33,15,99,305	3,589,117	840,000	....

* The above off-take are exclusive of shipments on private account to foreign ports.

PRICE OF BAR SILVER—1936.

Months.	PRICE IN LONDON PER STANDARD OUNCE (Spot).		
	Highest.	Lowest.	Average.
	d.	d.	d.
January	22—3/8 (2)	19 (17)	20·2500
February	20—1/16 (19)	19—7/16 (5, 6)	19·7962
March	20—3/16 (25)	19—1/16 (5, 6)	19·6634
April	20—7/8 (18)	19—7/8 (6, 8)	20·2445
May	20—7/8 (15)	19—3/4 (27)	20·2476
June	20—1/16 (8)	19—7/16 (19, 30)	19·7700
July	19—3/4 (10, 15)	19—3/8 (3)	19·5903
August	19—11/16 (8)	19—1/8 (20)	19·4900
September	20—1/16 (28)	19—7/16 (12, 14, 15, 17, 18, 21, 23, 24)	19·5793
October	20—3/16 (29)	19—11/16 (20)	19·9768
November	22—15/16 (10)	20 (2)	21·0500
December	21—3/8 (14, 19, 30)	20—7/8 (23)	21·2375
	Average for the year		20·0746

Months.	PRICE IN BOMBAY PER 100 TOLAS (Spot).		
	Highest.	Lowest.	Average.
	Rs. a.	Rs. a.	Rs. a. p.
January	55 8 (2)	46 12 (17)	50 7 10
February	50 8 (8)	48 5 (5)	49 11 10
March	50 4 (25)	47 12 (6)	49 1 5
April	52 8 (18)	49 7 (6)	50 7 10
May	52 8 (14)	49 4 (27)	50 6 6
June	50 1 (1)	48 6 (29)	49 4 0
July	49 5 (10)	48 5 (1)	48 12 8
August	49 2 (8)	47 0 (20)	48 9 4
September	50 7 (28)	48 4 (23)	48 12 6
October	50 3 (8)	49 0 (20, 21)	49 9 9
November	56 2 (10)	49 7 (2)	51 14 9
December	53 3 (2)	51 12 (10, 23)	52 7 6
	Average for the year		49 15 6

* Figures within brackets indicate the dates on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF SILVER—1936.

Months.	Monthly imports of silver bullion (bar and other kinds of uncoined silver) into British India.	Monthly exports of silver bullion (on Government and private account).	Monthly estimated off-take in Bombay.*	Monthly estimated stock of silver at the end of each month.
	(Standard	Ounces.)	(In bars of	2,800 tolas.)
January ..	6,921,940	728,584	17,000	7,000
February ..	14,407,378	175,957	14,000	6,000
March ..	8,008,299	32,122	9,000	5,000
April ..	6,847,050	178,043	7,000	5,000
May ..	15,782,239	174,665	6,000	10,000
June ..	11,158,111	175,335	5,000	14,000
July ..	7,962,881	175,169	4,500	11,000
August ..	6,749,371	176,301	2,600	10,000
September ..	7,706,599	175,760	2,500	11,000
October ..	6,967,477	175,407	2,500	13,000
November ..	11,996,953	176,023	1,500	22,000
December ..	4,729,016	175,340	2,000	25,000
Total ..	109,236,314	2,518,706	73,600	

* The above off-take are exclusive of shipments on private account to foreign ports.

GOVERNMENT SECURITIES.

RUPEES.

(Thousands of Rupees.)

Security.	When Issued.	Amount outstanding as at 30th Sept. 1936.	When Repayable.	Dates when interest is due.
		Rs.		
3 per cent. Loan	1896	3,16,06,	At the option of Government after three months' notice.	June 30, Dec. 31.
3½ per cent. Loan	1843	23,73,15,		Feb. 1, Aug. 1.
Do.	1854	21,10,64,		June 30, Dec. 31.
Do.	1865	38,30,26,		May 1, Nov. 1.
Do.	1879	2,72,48,		Jan. 16, July 16.
Do.	1900	36,15,99,		June 30, Dec. 31.
2½ per cent. Loan	1936	12,01,23	On or before 1st June 1952, but not preceding 1st June 1948, with three months' previous notice.	June 1, Dec. 1.
3½ per cent. Bonds	1933	55,94,37,	After 15th Nov. 1947, at 3 months' notice but not later than 15th Nov. 1950.	May 15, Nov. 15.
3 per cent. Bonds	1934	10,67,32,	On Sept. 15, 1941.. ..	March 15, Sept. 15.
3 per cent. Loan	1935	15,12,85,	On or before 15th Sept. 1954, but not preceding 15th Sept. 1951, with three months' previous notice.	March 15, Sept. 15.
4 per cent. Loan	1926	63,30,26,	On or before 15th Sept. 1970 but not preceding 15th Sept. 1960 at three months' notice.	March 15, Sept. 15.
4 per cent. Bonds	1933	14,97,18,	1st August 1943.	Feb. 1, Aug. 1.
4½ per cent. Loan	1928	9,05,70,	On or before Sept. 15, 1960, but not preceding 15th Sept. 1955, with 3 months' previous notice.	March 15, Sept. 15.
5 per cent. Income-tax free Loan*	1919	56,74,94,	After Oct. 15, 1945, at three months' notice and not later than Oct. 15, 1955.	April 15, Oct. 15.
Do. ..	1923			
Do. ..	1924			
5 per cent. Loan	1929	27,78,12,	After July 15, 1939, at three months' notice and not later than July 15, 1944.	Jan. 15, July 15.
5½ per cent. Bonds	1932	19,13,90,	On or before 1st October 1940 but not preceding 1st Oct. 1938 with three months' previous notice.	April 1, Oct. 1.
5 per cent. Bonds	1932	25,18,48,	On or before 1st October 1943 but not preceding 1st October 1940 with three months' previous notice.	April 1, Oct. 1.
		4,35,12,98,		
Post Office Cash Certificates ..	..	5,77,83,		
,, ,, Savings Bank Deposits	..	71,56,61,		
Treasury Bills	..	42,76,50,		
Prov. Funds & other unfunded debt	..	8,29,99,		
Total Rs. ..	..	7,13,53,91		

The interest on Loans marked * is exempt from Income-tax, but not from Super-tax. It will be taken into account in determining the rate at which Income-tax will be levied on other income.

GOVERNMENT SECURITIES.

STERLING.

Description.	When issued.	Total sum raised.	Amount outstanding as on 30th Sept. 1936.	Date of termination of Loan.	When Int. due.
		£	£		
India 4½ per cent.	1922–23 ..	40,000,000	39,852,418	If not previously redeemed, will be repaid at par on 15th May 1955 with right to redeem at par on, or on any half yearly int. date after 15th May 1950 at 3 months' notice.	May 15. November 15.
India 4½ per cent. Stock.	1928 ..	17,500,000	17,500,000	If not previously redeemed, will be paid at par on 1st June 1968 with right to redeem at par on, or on any half yearly int. date after 1st June 1958 on giving 3 months' notice.	December 1. June 1.
India 3½ per cent. Stock.	Between 1887 & 1912.	88,767,884	88,667,884	Not redeemable until 5th January 1931, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 3 per cent. Stock.	Between 1894 & 1921-24.	77,065,347	77,024,185	Not redeemable until 5th October 1948, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 2½ per cent. Stock.	1896-98 ..	11,539,986	11,539,986	Redeemable at any time at Government's option with one year's previous notice.	January 5. April 5. July 5. October 5.
5 per cent. Stock ..	1932 ..	10,000,000	9,564,403	If not redeemed on 15th June 1942, will be repaid at par after 3 months' notice but not later than 15th June 1947.	June 15. December 15.
4 per cent. Stock ..	May 11, 1933	12,000,000	12,000,000	If not redeemed on 15th December 1948, will be repaid at par after 3 months' notice but not later than 15th December 1953.	June 15. Dec. 15.
India 3½ per cent. Stock.	Nov. 9, 1933	10,000,000	10,000,000	If not redeemed on 15th December 1954, will be repaid at par after 3 months' notice but not later than 15th December 1959.	June 15. December 15.
India 3 per cent. Stock	July 10, 1935	10,000,000	10,000,000	If not redeemed on Aug. 1, 1949, will be repaid at par after 3 months' notice but not later than Aug. 1, 1952.	August 1. February 1.
		Total Debt in England	276,148,876	@ 1s. 6d=Rs. 368·20 crores.	

TREASURY BILLS (1936).

	Rs.		Per cent.
Amount outstanding as on 31st Dec. 1935	27,87,25,000		
Amount issued since 1st January 1936 ..	79,00,00,000	Average rate obtained during the year ..	.7220
Amount matured upto 31st December 1936	78,87,25,000	Highest rate obtained during the year (30-12-36)	1.125
Amount outstanding on 31st December 1936	28,00,00,000	Lowest rate obtained during the year (7-8-36)..	.432

PARTICULARS OF TREASURY BILLS OUTSTANDING.

Approximate due date.	Amount Issued.	Average Rate.	Tenure.	Date of Issuance.
		Rs. a. p.		
January 2, 1937	Rs. 2,00,00,000	0 11 6	3 Months.	October 2, 1936.
January 9, 1937	,, 2,00,00,000	0 12 0	3 ,,	October 9, 1936.
January 16, 1937	,, 2,00,00,000	0 11 10	3 ,,	October 16, 1936.
January 23, 1937	,, 2,00,00,000	0 12 0	3 ,,	October 23, 1936.
January 30, 1937	,, 2,00,00,000	0 11 0	3 ,,	October 30, 1936.
February 6, 1937	,, 2,00,00,000	0 10 10	3 ,,	November 6, 1936.
February 12, 1937	,, 2,00,00,000	0 10 11	3 ,,	November 12, 1936.
February 20, 1937	,, 2,00,00,000	0 11 11	3 ,,	November 20, 1936.
February 27, 1937	,, 2,00,00,000	0 12 10	3 ,,	November 27, 1936.
March 4, 1937	,, 2,00,00,000	0 13 11	3 ,,	December 4, 1936.
March 11, 1937	,, 2,00,00,000	0 14 10	3 ,,	December 11, 1936.
March 18, 1937	,, 2,00,00,000	0 15 9	3 ,,	December 18, 1936.
March 23, 1937	,, 2,00,00,000	1 1 0	3 ,,	December 23, 1936.
March 30, 1937	,, 2,00,00,000	1 2 0	3 ,,	December 30, 1936.
Total ..	Rs. 28,00,00,000			

STATEMENT OF LOANS RAISED BY THE BOMBAY MUNICIPALITY.

Date of Issue.	Rate of Interest.	Amount outstanding on 31st Decr. 1936.	Dates on which half-yearly payments of Interest are due.	When payable.
		Rs.		
1863 ..	4 per cent.	13,89,173	1st of each month.	By monthly equated payments. (1st Jan. 1953).
Between 5th January 1886 and 24th December 1891 ..	5 per cent.	92,08,500	1st April, 1st October.	Between 1st January 1943 and 1st January 1953.
1899 ..	4 per cent.	25,00,000	1st May, 1st November.	1st November 1939.
1899-1900 ..	,,	19,25,000	1st June, 1st December.	1st June 1940.
1901-03 ..	,,	24,75,000	,, ,,	1st June 1943.
1905-07 ..	,,	24,75,000	1st February, 1st August.	1st August 1946.
1908 ..	,,	13,50,000	1st May, 1st November.	1st May 1938.
1909 ..	,,	15,00,000	,, ,,	1st May 1949.
1909-10 ..	,,	30,00,000	,, ,,	1st May 1949.
1911-13 ..	,,	55,00,000	1st June, 1st December.	1st June 1942.
1913-14 ..	,,	70,00,000	,, ,,	1st June 1954 and 1st June 1974.
1913-15 ..	,,	20,00,000	1st May, 1st November.	1st May 1955.
1915 ..	,,	43,00,000	,, ,,	1st May 1945.
1920 ..	5 per cent.	10,00,000	1st January, 1st July.	1st July 1980.
1920 ..	4 per cent.	30,00,000	,, ,,	1st January 1951.
1935-36 Con. Loan	3½ per cent.	‡82,67,000		31st March 1952.
1922 ..	5½ per cent.	*36,38,204	31st March (yearly).	By annual equated payments.
1922 ..	4¾ per cent.	*17,72,043	,, ,,	,, ,,
1922-23 ..	5½ per cent.	*88,54,608	,, ,,	,, ,,
1922-23 ..	5¼ per cent.	*18,97,891	,, ,,	,, ,,
1923-24 ..	5¼ per cent.	*1,78,24,422	,, ,,	,, ,,
1924 ..	5¼ per cent.	*49,19,242	,, ,,	,, ,,
1924-25 ..	5 per cent.	*1,18,38,738	,, ,,	,, ,,
1924-25 ..	5½ per cent.	*41,11,253	,, ,,	,, ,,
1924 ..	6 per cent.	67,77,000	1st June, 1st December.	1st December 1954.
1924-25 ..	,,	92,23,000	,, ,,	,, ,,
1926 ..	5½ per cent.	* 32,89,010	31st March (yearly).	By annual equated payments.
1926-27 ..	5 per cent.	*58,38,241	,, ,,	,, ,,
1928 ..	,,	*34,10,990	,, ,,	,, ,,
1928 ..	,,	25,00,000	1st January, 1st July.	1st January 1958.
1929 ..	,,	26,21,500	1st August, 1st February.	1st August 1959.
1929 ..	,,	26,14,000	,, ,,	1st ,, 1949-59.
1929 ..	,,	8,45,500	,, ,,	1st ,, 1954-59.
1930 ..	6 per cent.	40,00,000	1st June, 1st December.	1st Sept. 1950-60.
1936	3¼ ,,	9,00,000		14th March 1966.
1936	3 ,,	18,50,000		1st February 1967.
Total ..		15,56,15,315		

* Repaid in yearly instalments of Interest and Principal.

‡ This loan was borrowed from Govt. out of the Bom. Dev. Loan. Rs. 42,33,000, representing Sinking Fund accumulations in respect of these loans were repaid to Govt. on 1st Nov. 1935, and the balance of Rs. 82,67,000 was converted into a new loan from Govt.

N.B.:—The statement does not include amount of unpaid debentures of loans which have matured for repayment.

STATEMENT OF LOANS RAISED BY THE BOMBAY IMPROVEMENT TRUST (NOW AMALGAMATED WITH THE BOMBAY MUNICIPALITY)

Nature of Loans.	When issued.	Rate of interest.	Amount raised.	Amount outstanding on 31st Decr. 1936.	Dates, on which payments of interest are due.	When redeemable.
FROM GOVERNMENT.						
Rs. 375 lacs Con. Loan ..	1935-36	3½%	375,00,000	3,74,94,178	Sept. 30, Mar. 31.	March 31, 1976.
Rs. 45 „ Deb. Loan ..	1922	4½%	*45,00,000	30,06,914	March 31, (Y).	Feb. 20, 1982.
	1922	4½%		14,93,086	March 31 and September 30.	
Rs. 172 „ „ ..	1922-23	5½%	*172,00,000	1,14,93,086	March 31, (Y).	Oct. 2, 1982 to March 14, 1983.
		4½%		57,06,914	March 31 and September 30.	
Rs. 89 „ „ ..	1923-24	5½%	*89,00,000	61,00,000	March 31, (Y).	Nov. 2, 1983 to March 5, 1984.
		4½%		28,00,000	March 31 and September 30.	
Rs. 100 „ „ ..	1924-25	5%	*100,00,000	77,00,000	March 31, (Y).	Nov. 1, 1984 to Jan. 2, 1985.
		4½%		23,00,000	March 31 and September 30.	
Rs. 70 „ „ ..	1925	5½%	*70,00,000	65,00,000	March 31, (Y).	Oct. 2, 1985 to January 2, 1986.
		4½%		5,00,000	March 31 and September 30.	
Rs. 35 „ „ ..	1932	4½%	†35,00,000	34,49,206	March 31, (Y).	March 31, 1982.
Rs. 8 „ „ ..	1932	5½%	†8,00,000	7,89,707	Do.	March 31, 1983.
FROM PUBLIC.						
Rupee Coupon Debenture Loan.	1899	4%	50,00,000	50,00,000	May 1, Nov. 1.	Nov. 1, 1959.
Debenture Loan	1901	„	30,00,000	30,00,000	Jan. 1, July 1.	Sept. 6, 1961.
„ „	1902	„	30,00,000	30,00,000	Do.	July 15, 1962.
„ „	1903	„	60,00,000	60,00,000	Do.	Aug. 20, 1963.
„ „	1904	„	50,00,000	50,00,000	Do.	Sept. 7, 1964.
„ „	1905	„	30,00,000	30,00,000	Do.	Sept. 12, 1965.
„ „	1906	„	20,00,000	20,00,000	Do.	Oct. 2, 1966.
„ „	1907	„	15,00,000	15,00,000	Do.	Sept. 24, 1967.
„ „	1908	„	30,00,000	30,00,000	Do.	Sept. 8, 1968.
Sterling Coupon Deb. Loan	1909	„	£5,66,600 at 1s. 6d.	75,54,666	Do.	July 1, 1969.
„ „ „ „	1910	„	£3,33,000 at 1s. 6d.	44,40,000	Do.	July 1, 1970.
Debenture Loan	1912	„	25,00,000	25,00,000	Do.	Aug. 28, 1972.
„ „	1913	„	18,00,000	18,00,000	Do.	Aug. 26, 1973.
„ „	1914	„	50,00,000	50,00,000	Do.	Aug. 4, 1974.
„ „	1916	„	25,00,000	25,00,000	Do.	Jan. 3, 1976.
„ „	1919	5%	40,00,000	40,00,000	May 1, Nov. 1.	Nov. 1, 1957-79.
„ „	1920	6%	70,00,000	66,00,000	Do.	April 1, 1935-80.
„ „	1926	5%	25,00,000	25,00,000	Jan. 1, July 1.	Sept. 16, 1956-86.
„ „ (43 years)	1927	4%	25,00,000	25,00,000	Do.	April 4, 1961 to Oct. 4, 1970.
„ „ (60 „)	1928	4½%	20,00,000	20,00,000	Do.	Nov. 1, 1938.
„ „ (60 „)	1929	5½%	25,00,000	25,00,000	Do.	Nov. 1, 1944.
„ „ (6 „)	1931	6½%	30,00,000	30,00,000	Do.	Nov. 1, 1937.
„ „ (10 „)	1933	5%	10,00,000	10,00,000	March 31 and September 30.	March 31, 1943.
„ „ (30 „)	1936	3½%	10,00,000	10,00,000		March 14, 1966.
			Total Rs. ..	17,92,27,757		

* Debentures issued to Government are repurchased every year according to agreement and bear interest at 4%.

† Repaid in annual equated instalments of Principal and Interest.

(Y) Interest payable yearly.

N.B.—The statement does not include amount of unpaid debentures of loans which have matured for repayment.

STATEMENT OF LOANS RAISED BY THE BOMBAY PORT TRUST TO DECEMBER 31, 1936.

Description of Loan.	Amount raised.	Rate of Interest.	Dates on which half-yearly payments of interest are due.	When redeemable.
	Rs.			
Debenture Loans (Unguaranteed).				
1904 (60 yrs.) ..	36,50,000	4%	1st Jan., 1st July.	1st Nov. 1964.
1905 „ ..	35,00,000	„	1st Feb., 1st Aug.	1st Nov. 1965.
1906 „ ..	15,00,000	„	1st March, 1st Sept.	1st Feb. 1967.
1906 (30 yrs.) ..	6,00,000	„	„ „	1st Feb. 1937.
1907 (60 yrs.) ..	44,00,000	„	1st May, 1st Nov.	1st Feb. 1968.
1908 „ ..	75,00,000	„	1st March, 1st Sept.	1st Feb. 1969.
1909 „ ..	40,00,000	„	1st Jan., 1st July.	1st Jan. 1970.
1910 „ ..	56,00,000	„	1st April, 1st Oct.	1st Jan. 1971.
1911 „ ..	75,00,000	„	1st June, 1st Dec.	1st Jan. 1972.
1912 „ ..	1,10,00,000	„	1st Feb., 1st Aug.	1st Feb. 1973.
*1913 (47 yrs.) ..	14,35,876	„	1st April, 1st Oct.	31st March 1960.
1913 (60 yrs.) ..	80,00,000	„	1st Jan., 1st July.	1st Jan. 1974.
1914 („) ..	88,25,000	„	1st April, 1st Oct.	1st Jan. 1975.
1914 (30 yrs.) ..	38,75,000	„	1st May, 1st Nov.	1st Nov. 1944.
*1915 (45 „) ..	10,00,000	„	1st April, 1st Oct.	31st March 1960.
*1915 (60 „) ..	55,00,000	„	1st June, 1st Dec.	5th Oct. 1975.
*1922 (37½ „) ..	61,61,000	„	1st June, 1st Dec.	31st March 1960.
*1924 (35½ „) ..	11,51,000	„	1st April, 1st Oct.	31st March 1960.
*1926 (35 5/12 „) ..	10,25,000	3½%	1st May, 1st Nov.	31st March 1960.
*1929 (30 „) ..	35,00,000	„	1st Feb., 1st Aug.	1st Aug. 1959.
*1930 (20 „) ..	38,50,000	4%	1st Jan., 1st July.	1st Jan. 1950.
*1930 (30 „) ..	12,50,000	3½%	1st May, 1st Nov.	1st Nov. 1960.
*1931 („) ..	12,50,000	„	„ „	1st Nov. 1961.
*1932 („) ..	13,50,000	„	1st March, 1st Sept.	1st Sept. 1962.
*1935 (40 yrs.) ..	24,58,000	3¾%	30th March, 30th Sept.	30th March 1975.
*1936 (30 „) ..	15,00,000	„	1st March, 1st Sept.	1st March 1966.
*1936 (23½ „) ..	48,04,000	3½%	1st April, 1st Oct.	1st April 1960.
Loans in England.				
1909 (30 yrs.) ..	66,66,667† (£500,000)	4%	1st Jan., 1st July.	1st July 1939.
1910 („) ..	66,66,667† (£500,000)	„	„ „	1st July 1940.
1922 („) ..	2,13,33,333† (£1,600,000)	6%	1st Feb., 1st Aug.	1st Aug. 1952.
Grand Total ..	14,08,51,543			

* Taken up fully by the Trustees.
† Exchange calculated at 1*s.* 6*d.* to the rupee.

PRICES OF GOVERNMENT SECURITIES—1936.

MONTHS.		2½ per cent. Loan. 1948-52.	3 per cent. Loan. 1941.	3 per cent. Loan. 1951-54.	3½ per cent. Govt. Paper.	3½ per cent. Loan. 1947-50.	4½ per cent. Loan. 1955-60.	4 per cent. Loans.		5 per cent. Loans.			5½ per cent. Loan. 1938-40.
								1943.	1960-70.	1939-44.	1940-43.	1945-55.	
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Jan.	Highest	..	104 4 0	102 8 0	96 13 0	106 3 0	117 10 0	109 7 0	111 3 0	109 6 0	111 2 0	119 10 0	108 12 0
	Lowest	..	103 12 0	101 12 0	95 15 0	105 11 0	116 10 0	108 14 0	110 5 0	109 3 0	110 14 0	118 12 0	108 10 0
	Average	..	104 0 8	102 2 11	96 7 4	105 15 6	117 3 10	109 2 4	110 11 4	109 5 4	111 1 0	119 4 0	108 10 7
Feb.	Highest	..	104 10 0	103 7 0	98 8 0	107 2 0	119 7 0	110 9 0	112 14 0	109 10 0	112 0 0	119 14 0	108 11 0
	Lowest	..	104 4 0	102 9 0	96 8 0	106 4 0	117 10 0	109 7 0	111 4 0	109 3 0	111 4 0	119 2 0	108 10 0
	Average	..	104 7 8	103 3 8	97 9 0	106 14 4	118 15 4	110 0 9	112 2 8	109 8 2	111 10 6	119 9 8	108 10 7
March	Highest	..	104 12 0	103 9 0	99 10 0	107 6 0	119 8 0	110 11 0	113 10 0	109 9 0	112 0 0	120 2 0	108 12 0
	Lowest	..	103 12 0	102 10 0	95 9 0	105 8 0	117 12 0	109 14 0	111 14 0	108 4 0	110 8 0	119 8 0	107 12 0
	Average	..	104 1 5	102 15 3	97 8 5	106 2 5	118 8 5	110 2 5	112 9 1	108 12 3	111 3 9	119 8 1	108 1 2
April	Highest	..	104 6 0	103 14 0	98 10 0	106 15 0	118 10 0	110 12 0	114 0 0	108 12 0	111 8 0	120 3 0	108 7 1
	Lowest	..	103 14 0	102 12 0	97 3 0	106 0 0	117 12 0	110 0 0	112 7 0	108 8 0	110 13 0	119 8 0	108 0 0
	Average	..	104 3 3	103 9 7	98 3 4	106 11 10	118 4 11	110 8 8	113 7 11	108 10 4	111 4 11	120 0 4	108 4 10
May	Highest	100 3 0	105 3 0	105 1 0	99 10 0	107 15 0	119 12 0	111 13 0	115 6 0	109 8 0	112 0 0	121 2 0	108 8 0
	Lowest	100 3 0	104 6 0	103 14 0	98 2 0	106 12 0	118 12 0	110 12 0	113 12 0	108 12 0	111 6 0	120 3 0	108 3 0
	Average	100 3 0	104 12 10	104 7 0	98 12 10	107 5 9	119 4 4	111 4 10	114 9 7	109 2 7	111 9 11	120 10 7	108 4 9
June	Highest	100 6 0	104 14 0	104 0 0	99 3 0	107 3 0	119 12 0	111 8 0	115 8 0	109 0 0	111 15 0	120 14 0	108 0 0
	Lowest	99 15 0	104 6 0	103 3 3	98 2 0	106 10 0	119 2 0	110 10 0	114 8 0	108 6 0	110 9 0	120 5 0	107 6 0
	Average	100 3 5	104 8 6	103 7 1	98 11 9	106 14 5	119 6 0	110 13 4	114 11 6	108 7 11	110 12 3	120 9 2	107 9 2
July	Highest	100 14 0	104 8 0	104 1 0	100 5 0	108 2 0	119 12 0	111 2 0	115 9 0	108 12 0	111 2 0	121 4 0	107 10 0
	Lowest	100 6 0	104 5 0	103 7 0	99 4 0	107 3 0	119 8 0	110 12 0	115 0 0	108 8 0	110 14 0	120 13 0	107 8 0
	Average	100 10 4	104 6 11	103 11 2	99 12 7	107 10 0	119 11 0	110 15 11	115 4 11	108 9 11	110 15 9	120 15 9	107 9 3
Aug.	Highest	101 2 0	104 5 0	103 15 0	100 0 0	107 13 0	119 10 0	111 5 0	115 7 0	108 11 0	111 7 0	121 0 0	107 9 0
	Lowest	100 12 0	104 4 0	103 11 0	99 3 0	107 8 0	119 4 0	111 2 0	114 12 0	108 7 0	110 15 0	120 12 0	107 8 0
	Average	100 14 0	104 4 5	103 12 8	99 10 5	107 11 1	119 6 6	111 3 2	114 15 5	108 8 10	111 2 4	120 13 3	107 8 4
Sept.	Highest	101 4 0	1'4 9 0	104 1 0	99 14 0	107 13 0	119 14 0	111 10 0	115 9 0	108 15 0	111 14 0	121 3 0	107 14 0
	Lowest	101 1 0	104 7 0	103 13 0	98 13 0	107 7 0	119 10 0	111 6 0	115 4 0	108 12 0	111 9 0	121 0 0	107 9 0
	Average	101 2 10	104 8 3	104 0 1	99 11 1	107 11 5	119 12 1	111 8 5	115 7 4	108 14 6	111 11 6	121 1 3	107 12 0
Oct.	Highest	101 4 0	104 15 0	104 2 0	100 3 0	107 11 0	120 2 0	112 1 0	115 15 0	109 3 0	112 1 0	121 8 0	107 15 0
	Lowest	101 2 0	104 9 0	103 14 0	99 10 6	107 7 0	119 10 0	111 9 0	115 6 0	108 15 0	111 13 0	121 1 0	107 12 0
	Average	101 3 6	104 13 1	104 1 1	100 0 11	107 10 1	120 0 0	111 15 0	115 11 5	109 1 6	111 15 11	121 5 10	107 14 0
Nov.	Highest	101 9 0	105 4 0	104 5 0	100 15 0	108 1 0	120 12 0	112 3 0	116 1 0	109 1 0	111 15 0	121 9 0	107 12 0
	Lowest	101 3 0	104 15 0	103 12 0	100 2 0	107 10 0	120 2 0	111 15 0	115 7 0	109 0 0	111 15 0	121 8 0	107 9 0
	Average	101 6 2	105 2 3	104 1 6	100 9 10	107 14 2	120 9 0	112 1 7	115 13 9	109 0 11	111 15 0	121 8 3	107 11 2
Dec.	Highest	101 7 0	105 1 0	103 12 0	100 9 0	107 9 0	120 10 0	111 14 0	115 8 0	109 0 0	111 13 0	121 8 0	107 8 0
	Lowest	100 14 0	104 14 0	103 6 0	98 8 0	107 3 0	120 2 0	111 13 0	114 13 0	108 13 0	111 10 0	121 2 0	107 7 0
	Average	101 3 8	104 15 9	103 8 6	100 0 8	107 6 6	120 3 11	111 13 3	115 2 4	108 13 11	111 11 10	121 4 5	107 7 6
Highest for the year		101 9 0	105 4 0	105 1 0	100 15 0	108 2 0	120 12 0	112 3 0	116 1 0	109 8 0	112 1 0	121 9 0	108 12 0
Lowest " "		99 15 0	103 12 0	101 12 0	95 15 0	105 8 0	116 10 0	108 14 0	110 5 0	108 4 0	110 8 0	118 12 0	107 7 0
Average " "		100 13 10	104 8 5	103 9 4	98 14 10	107 2 7	119 5 1	110 12 9	114 3 7	108 14 7	111 6 10	120 8 10	107 15 0

BANK RATE CHANGES.

BANK OF BOMBAY.

		Per cent.
1902.		
January	9	6
Do.	16	7
February	13	8
March	27	7
April	10	6
May	1	5
June	19	4
July	17	3
November	6	4
December	23	5
Average		**4·778**
1903.		
January	15	6
Do.	29	7
February	19	8
March	12	7
April	16	6
May	14	7
Do.	21	8
June	4	7
Do.	18	6
Do.	25	5
July	2	4
August	20	3
December	10	4
Do.	17	5
Do.	30	6
Average		**5·082**
1904.		
February	11	7
Do.	25	6
March	10	5
May	19	4
June	16	3
December	13	4
Do.	20	5
Average		**4·147**
1905.		
February	2	6
Do.	16	7
March	9	8
Do.	30	7
April	6	6
Do.	14	5
July	6	4
Do.	27	3
August	10	4
November	23	5
Do.	30	6
December	14	7
Average		**5·101**
1906.		
January	4	8
February	1	9
March	15	8
Do.	22	7
Do.	29	6
April	26	7
May	24	6
June	21	5
July	12	4
Do.	19	3
August	9	4
September	12	5
November	15	6
Do.	22	7
Do.	29	8
December	13	9
Average		**6·263**

		Per cent.
1907.		
March	7	8
May	2	7
Do.	9	6
June	6	7
Do.	20	6
Do.	27	5
July	4	4
August	1	3
September	26	4
November	7	5
December	12	6
Average		**5·939**
1908.		
January	3	7
Do.	9	8
February	6	9
March	19	8
Do.	26	7
April	16	8
May	28	7
June	25	6
July	2	5
Do.	16	4
Do.	23	3
October	22	4
November	5	5
December	10	6
Average		**5·920**
1909.		
January	14	7
May	13	6
June	3	5
Do.	24	4
July	15	3
November	4	4
Do.	18	5
Do.	25	6
Average		**5·137**
1910.		
March	3	7
May	12	6
June	2	5
Do.	23	4
July	7	3
October	6	4
November	3	5
Do.	17	6
December	15	7
Average		**5·164**
1911.		
May	18	6
June	1	5
Do.	21	4
July	13	3
October	19	4
December	21	5
Average		**5·019**

		Per cent.
1912.		
January	11	6
Do.	18	7
February	1	8
Do.	22	7
March	20	6
May	9	5
June	13	4
July	11	3
October	3	4
November	14	5
Do.	28	6
December	12	7
Do.	27	8
Average		**5·062**
1913.		
April	3	7
May	29	6
June	12	5
July	3	4
Do.	17	3
August	7	4
September	10	5
October	10	6
Do.	31	5
Average		**5·912**
1914.		
January	15	6
May	21	5
June	4	4
Do.	25	3
August	6	4
Do.	13	5
Do.	20	6
Average		**5·405**
1915.		
June	2	5
November	4	6
Average		**5·575**
1916.		
January	6	7
Do.	13	8
April	13	7
May	25	6
June	15	5
July	13	4
August	17	5
October	5	6
November	23	7
Do.	30	8
Average		**6·423**
1917.		
February	22	7
March	15	6
August	23	5
December	6	6
Average		**6·054**

		Per cent.
1918.		
May	23	5
November	7	6
Average		**5·539**
1919.		
January	16	7
March	7	6
June	12	5
Average		**5·580**
1920.		
January	22	6
February	5	7
April	8	8
Do.	22	9
May	13	8
Do.	27	7
June	16	6
July	29	5
November	4	6
Do.	12	7
Average		**6·363**

IMPERIAL BANK.

1921.		
March	3	6
June	2	5
December	15	6
Do.	29	7
Average		**5·638**
1922.		
February	16	8
April	27	7
June	1	6
Do.	15	5
July	6	4
October	26	5
December	14	6
Do.	28	7
Average		**5·810**
1923.		
January	11	8
May	25	7
Do.	31	6
June	7	5
Do.	28	4
November	15	5
Do.	29	6
December	20	7
Average		**5·947**
1924.		
January	3	8
February	14	9
April	10	8
May	29	7
June	19	6
July	3	5
Do.	31	4
August	21	5
October	16	6
Average		**6·674**
1925.		
January	22	7
May	21	6
June	18	5
July	2	4
September	24	5
December	3	6
Average		**5·635**

		Per cent.
1926.		
May	20	5
June	10	4
Average		**4·819**
1927.		
January	1	5
Do.	13	6
February	10	7
June	2	6
Do.	23	5
July	28	4
September	8	5
December	8	6
Do.	22	7
Average		**5·726**
1928.		
June	21	6
July	19	5
November	15	6
December	13	7
Average		**6·196**
1929.		
February	14	8
April	11	7
May	9	6
June	6	5
October	10	6
Do.	31	7
Average		**6·323**
1930.		
April	3	6
July	10	5
November	20	6
Average		**5·887**
1931.		
January	15	7
May	28	6
August	6	7
September	22	8
Average		**7·046**
1932.		
January	14	7
February	24	6
April	28	5
July	7	4
Average		**5·019**
1933.		
February	16	3½
Average		**3·563**
1934.		
Throughout the year		3½

RESERVE BANK OF INDIA.

1935.		
November	28	3
Average		**3·454**
1936.		
Throughout the year		3

COTTON MILLS.

Name of Company.	No. of Spindles.		No. of Looms.		Price during boom period 1920-21.	Quotations in 1936.		Intrinsic Value.* Less Depreciation.	Quotation at the close of year. (23-12-36).
	Installed.	At work.	Installed.	At work.		Highest.	Lowest.		
					Rs.	Rs. As.	Rs. As.	Rs.	Rs. As.
Ahmedabad Advance	44,224	43,820	924	919	3,300	300	271-4	245	288-12
Bombay Dyeing † ..	184,184	153,650	4,804	4,534	4,395	817-8	640	1,250	810
Central India † ..	115,136	97,165	2,166	1,997	6,400	276-4	198-12	240	253-12
Century	110,480	87,817	3,096	3,017	1,545	190	117-8	450	168-2
Colaba Land	34,000	33,470	694	685	3,800	145	111	150	140
Coorla	25,227	23,938	719	713	340	95	85	150	80
Dawn	43,512	36,370	..	..	1,800	300	260	1,130	287-8
Finlay	46,072	38,681	784	662	1,845	116-4	100	107	110
Khatau	55,260	50,844	1,514	1,447	920	86-4	55	170	86-4
Kohinoor †	69,860	68,186	1,495	1,464	4,800	257-8	174-6	325	256-4
Laxmi Cotton ..	45,792	33,063	944	933	5,250	665	513-12	650	595
Morarji Goculdas ..	56,792	47,169	1,666	1,618	8,000	905	590	3,800	850
New City	45,944	44,025	432	431	1,040	52-8	24	70	52-8
New Great	46,884	45,674	1,029	1,022	1,375	183-12	93-2	290	173-12
Phœnix	54,244	52,080	728	693	1,430	270	251-4	525	266-4
Sholapur	111,360	99,006	2,234	2,210	18,500	2,350	1,775	16,295	1,925
Simplex †	37,148	26,392	1,321	1,143	1,335	81-4	56-4	80	79-6
Swan	31,450	24,766	528	512	1,700	101-4	78-12	98	101-4
Swadeshi †	67,584	67,539	2,150	2,041	6,030	205	137-2	233	200
Vishnu Cotton ..	49,392	49,035	1,423	1,406	2,375	1,300	1,127-8	720	1,238-12

* The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

† Depreciation in these are taken at 25 % of the total block value.

JUTE MILLS.

Name of Company.	Number of Looms.	Quotations 1917 to 1936.		Quotations in 1936.		Intrinsic Value† Less depreciation.	Quotations at the close of year. (22-12-36).
		Highest.	Lowest.	Highest.	Lowest.		
		Rs. As.	Rs. As.	Rs. As.	Rs. As.	Rs.	Rs. As.
*Albion	498	635	130	242	180	295	240
*Alliance	1,232	922	140	283	225	415	269
*Anglo-India	2,561	572	110	421	358	368	400
*Auckland	810	515	107	201	163	185	195
*Bally	825	369-8	77	204	168	208	200
*Barnagore	1,744	347	72	152	120	250	148
*Belvedere	820	785	220	375	315	330	370
*Budge Budge ..	990	820	195	296	245	405	290
*Caledonian	616	860	218	448	348	540	440
*Clive	969	79-8	16	26-12	22-12	32	26-8
*Dalhousie	766	832	195	334	272	430	334
*Delta	779	870	220	388	294	430	385
Empire	500	99	26	33	26	40	31
*Fort Gloster	1,884	1,565	365	510	430	780	508
*Fort William ..	1,014	620	107	287	248	450	271
Gondalpara	600	1,600	500	845	745	1,190	840
*Gourepore	1,392	1,670	180	665	558	585	615
*Howrah	1,940	70-10	23	55-2	47-2	42	53-10
*Hooghly	454	175	41	53-8	44-6	80	53-8
*Kamarhatty	1,797	1,198	226	533	453	455	527
*Kanknarrah	1,527	905	238	440	382	360	438
*Kelvin	702	1,460	405	535	440	695	530
*Khardah	1,457	760	230	405	370	326	400
*Kinnison	1,250	1,810	378	630	525	690	625
*Lansdowne	846	626	70	174	120	200	168
*Lawrence	840	1,060	220	445	365	555	420
*Lothian	558	705	125	245	188	315	240
Naihatty	815	900	200	375	315	420	357
*New Central	709	1,055	275	332	285	450	325
*Northbrook	567	113	25-8	46	36	53	42
*Reliance	1,276	101	20-8	74	64	57	73
*Standard	650	933	185	300	250	344	290
*Union	1,326	1,280	237	430	360	610	414

* The intrinsic value of these is arrived at by valuing each loom at Rs. 5,000.

† The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

NUMBER AND PAID-UP CAPITAL OF DIFFERENT CLASSES OF COMPANIES AT WORK IN INDIA AT THE END OF EACH YEAR

(Rupees 00,000's omitted.)

Years.	Total number of Companies.	Total paid up Capital.	Banking, Loan and Insurance.		Transit, Trading and Manufacturing.		Mills and Presses.		Tea and other Planting Cos.		Mining and quarrying.		Sugar.		Others.	
			No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.
1920-21 ..	4,708	1,64,46	829	21,66	2,043	61,05	717	48,47	512	9,06	363	16,65	40	124	201	634
1921-22 ..	5,189	2,30,55	916	30,42	2,351	84,01	740	64,82	519	9,87	386	31,66	46	203	231	774
1922-23 ..	5,190	2,59,79	893	22,97	2,352	96,09	755	72,56	500	10,01	374	40,13	44	171	272	16,22
1923-24 ..	5,211	2,65,33	958	19,16	2,350	1,00,76	748	74,66	489	10,06	364	41,77	42	192	260	18,92
1924-25 ..	5,204	2,75,53	1,002	20,49	2,289	1,09,96	739	74,22	500	10,82	358	41,56	46	193	270	15,75
1925-26 ..	5,305	2,76,96	1,061	19,88	2,307	1,10,53	738	75,60	515	11,46	344	41,83	40	203	300	18,44
1926-27 ..	5,526	2,76,91	1,263	25,38	2,351	1,08,97	738	72,26	544	11,92	338	41,96	36	182	256	14,64
1927-28 ..	5,830	2,76,44	1,448	25,41	2,433	1,10,04	741	71,36	575	12,88	330	40,04	36	187	267	14,83
1928-29 ..	6,330	2,79,31	1,721	26,82	2,602	1,10,08	754	71,98	604	13,53	327	40,21	35	195	287	14,73
1929-30 ..	6,919	2,86,34	2,025	28,47	2,815	1,13,33	761	71,60	618	13,91	335	39,55	32	192	333	17,56
1930-31 ..	7,328	2,82,68	2,215	28,19	3,006	1,16,06	764	67,73	608	15,55	333	38,81	34	204	368	14,29
1931-32 ..	7,997	2,85,90	2,629	29,00	3,206	1,17,31	786	68,40	601	15,54	331	39,01	48	204	396	14,59
1932-33 ..	8,715	2,86,47	3,025	29,17	3,441	1,13,89	790	70,03	586	15,68	325	38,97	110	245	438	16,28
1933-34 to 1935-36.	Not available.															

NOTE :—

"*Transit, Trading and Mfg.*" :—Navigation, Rlys., Tramways, Landing and Warehousing, Printing, Publishing and Stationery, Public service Co., etc., etc.

"*Mills and Presses.*" :—Cotton, Jute, Silk, Wool etc., Rice, Flour, Oil, Saw and Timber, etc.

"*Others.*" :—Land and Building, Ice, Breweries, etc., etc.

Source of information "Joint Stock Companies Annual."

NUMBER AND CAPITAL OF NEW COMPANIES REGISTERED IN INDIA AND THOSE THAT HAVE CEASED TO WORK,

POSITION AS AT THE END OF EACH YEAR FROM 1920-21 TO 1935-36.

In Rupees.

(00,000's omitted.)

Years.	Number of new Companies registered.	Authorised Capital.	Paid-up Capital.	No. of Companies ceased to work.	Authorised Capital.	Paid-up Capital.
1920-21	987	1,47,23	3,12	137	14,15	4,09
1921-22	717	80,84	1,90	220	30,46	1,98
1922-23	496	34,42	1,48	524	88,29	8,25
1923-24	430	26,50	67	411	52,90	14,16
1924-25	416	21,23	86	427	49,00	7,21
1925-26	470	30,01	57	374	28,61	6,81
1926-27	529	19,39	44	309	26,82	5,87
1927-28	626	17,57	86	335	23,73	7,64
1928-29	726	27,38	78	229	13,72	5,49
1929-30	839	62,55	2,39	264	23,04	3,33
1930-31	731	21,56	83	292	37,84	11,12
1931-32	922	30,36	33	225	14,67	3,51
1932-33	1,087	30,71	31	361	20,33	3,43
1933-34	885	56,55	....	434	34,13	....
1934-35	965	42,20	....	365	13,70	....
1935-36	1,027	51,36	38	855	16,79	4,81

NOTE.—The total number of Companies limited by shares, which were incorporated in India upto 1920-21 under the laws relating to the registration of Companies was 10,061. Of these 4,708 were working at the end of the year 1920-21, the remainder, 5,353, were either wound up, or discontinued or never commenced business.

Source of information :—Upto 1932-33 "Joint Stock Companies Annual," and afterwards Monthly issues.

The Times of India Press, Bombay.

ANNUAL MARKET REVIEW
1937.

PREMCHAND ROYCHAND & SONS LTD.
BOMBAY.

ANNUAL MARKET REVIEW
1937.

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INTRODUCTORY.

Whether 1937 is to be assessed as a year most notable for advance or retrogression manifestly depends on the tests applied. In the sphere of international relations, the sequence of events points plainly and poignantly to deterioration. The further accentuation of the rate in rearmament; the undiminished acerbity marking the relations between the rival groups of Powers; and the addition of the Sino-Japanese conflict to the still unsettled civil war in Spain have combined to create a situation which it would be impossible to describe accurately by any other term. It has been a year in which the three Militarist States, more or less closely allied in the so-called anti-Comintern Pact, have set the pace, followed by the Three Democracies, less closely allied, in ineffective pursuit. And, as was to be expected, in the policies pursued by the Militarist States, aggression has predominated. Although in varying degrees, Italy's active support of the rebel forces in Spain, Germany's growingly insistent demand for the return of her former Colonies, and Japan's attack on China, have all made for international tension. Additional incentives to such policies have been afforded, not only by the failure of the Three Democracies to present a united diplomatic front, but by the pre-occupation of the United States and France with their own internal economic maladies, as exemplified across the Atlantic by the sudden and disastrous collapse of the recovery movement, and in France by the prolongation of the period of unbalanced budgets and of the Social and economic maladjustments accentuated by the legislative enactments of the Blum Administration and still unsolved. Italy's departure from the League of Nations weakened still further the position of an organisation whose incapacity for effective action against aggression was emphasised anew by the ignominious failure of the Brussels Conference, at which the United States was represented, to agree on measures calculated to restrain and penalise Japan for her attack on China. In brief, the diplomatic balance-sheet for the year presents many new and heavy liabilities, uncompensated by new assets of any sort or kind.

The economic balance-sheet of the year is not much more encouraging, the initial gains being more than offset by the subsequent losses. Industrial production, in most countries, has continued to advance, but international trade, still shackled by emergency restrictions long after the emergency itself has passed, has not expanded *pro rata*. The exchanges, aided by the Tripartite Agreement, have remained relatively stable, but are still on a 24-hour basis, with no immediate prospect of an

early advance on that position. The primary-producing countries have benefited, financially and commercially, by the increased demand at better prices for raw materials resulting from the greater manufacturing activity in the predominantly industrial countries; but the recent recession has emphasised the unstable foundations on which this advance is based. Furthermore, the increased demand for raw materials does not extend to foodstuffs, the international trade in which appears to have suffered permanent and serious diminution. A further weakening factor is the extent to which the Western industrial recovery is conditioned by the expenditure on rearmament, at the rate of £3,000 million a year, involving an addition to the unproductive debts of these countries, apart from the threat to international peace which so enormous an addition to the weapons of offence automatically involves. The drive towards self-sufficiency continues, despite general lip-service to the desirability of freer trade. Military rearmament expands; but economic armament does not diminish. And unbalanced budgets are an inevitable financial consequence. Everywhere State control is extending, and private enterprise is being subjected to increasing regimentation. And State control brings increasing sensivity to political influences, undermining confidence, and making every market a prey to rumour of the direction official action may take. Money has never been cheaper or more abundant, or based on larger metallic reserves, but long-term investment lags, and borrowing is confined mainly to official loans alternatively for relief or rearmament.

The United Kingdom.

Despite the year-end increase in unemployment, and the heavy cost of the rearmament programme, 1937 was not marked by any serious or permanent deterioration in the British economic and financial structure. With the single exception of the projected N.D.C. impost—a financial blunder only partly redeemed by its early modification—the influences which precipitated the headlong decline in Stock Exchange values, conservatively estimated at £2,500,000,000, were mainly external in origin, such as the disastrous "gold scare" and President Roosevelt's ill-conceived "durable-goods-are-too-high" declaration, and found no justification, as subsequent events have proved, in Great Britain's own industrial or commercial activities. All the important indices combine to warrant an optimistic interpretation of the British position and outlook. A Stock Exchange compilation of dividend declarations during the year shows that of 7,881 companies covered, 3,652 increased their distributions, 3,846 made no change and only 383 showed a decrease. One of the most encouraging features has been the return to the dividend list of a number of companies which have not made any distribution to their shareholders for periods ranging from six to nearly twenty years, showing that the recovery in industry has been widespread. In the survey accompanying this analysis the opinion is expressed that Great Britain will remain at peace during 1938, that there will be further controlled inflation, that the general average of industrial profits will be maintained, subject to fluctuations in certain industries, and that there should be further recovery and progress which will develop more especially in the second half of the year. The "Economist" analysis of industrial profits shows that 2,265 companies reporting in the 12 months to December 31 achieved a rise of just over 17 per cent; for much the same number of companies reporting in 1936 the advance was 17-3/4 per cent. From boom to slump, as the City Editor of the "Times" recalls, industrial profits, as

disclosed by company reports published in 1929-32, dropped by about one-third. Not only has the ground then lost been regained, but the figures are now running some 12½ per cent. above 1929 and fully 25 per cent. above the average of 1927-30, which in some respects is a more useful comparison.

Other indices are equally reassuring. Bank profits make the best showing since 1929. And railway gross receipts, which showed a gain of £5,000,000 in 1934, of £1,500,000 in 1935, and another £5,000,000 in 1936, made a further advance of £7,000,000 in 1937. As about 917,000 tons gross of merchant shipping were launched in British yards, and the merchant and naval construction now in hand is probably equivalent to an annual output of 1,750,000 tons gross, this formerly depressed industry has staged a substantial recovery, and would have gone further if the recession had not induced shipowners to suspend further contracts. Coal is another " depressed " industry now showing an upward trend, both production and profits reflecting the improved demand resulting from present industrial activity. An increase of 13.3 per cent. in the consumption of electricity to the record level of 22,905 million units points in the same direction, production having doubled in six years. Even more significant and spectacular has been the rehabilitation of the iron and steel industry, the figures published by the Iron and Steel Federation showing that in 1937 the production of steel ingots and castings totalled 12,900,000 tons, representing an increase of 3 million tons in the last two years and comparing with 9,600,000 tons in 1929. Furthermore, whereas in the latter year only £2,300,000 was expended on new equipment, within the last two years £20,000,000 has been devoted to the construction and reconstruction of mills and furnaces, and further expenditure on the same scale is planned for 1938. The imposition of protective duties has, within a relatively short period, transformed the position of the British steel industry from one of unprecedented depression to one of unprecedented strength. Prior to the imposition of the protective duties, as Sir William Firth recalled on the occasion of the establishment of new works in South Wales which are expected to revitalise the whole steel, sheet, and tinplate trade of the country, the uncontrolled importation of foreign steel, at prices below production costs, forced British steel-makers to close down their plants wholly or partly, and to operate at a loss, with the inevitable result that their liquid resources disappeared, their borrowing powers became exhausted, and great companies were brought to the brink of ruin. Today, utilising modernised plant, production has reached a level high enough not only to meet a domestic demand as unexampled in its dimensions as in its duration, but to maintain and even increase exports, while closer organisation has made possible an effort to stabilise demand in both home and oversea markets by a public assurance of stabilised prices.

Industrial Activity and Oversea Trade.

Of pivotal importance in maintaining the British demand for capital goods has been the remarkable expansion in building activity which, beginning in 1932, has not yet run its course, despite recurring productions of an imminent recession. A decline in private house-building is adjudged to be probable this year, but State-assisted housing projects, including the slum clearance schemes and plans for improving rural housing, constitute large and elastic reserves facilitating compensating expansion as private enterprise declines while important railway, shipbuilding and other large-scale contracts are being deliberately deferred until the present pressure on supplies is

relaxed. Moreover, as the Minister for Defence has recently reiterated, the rearmament programme has not attained anything like the volume that may be expected in 1938-39. When, Sir Thomas Inskip said on December 14th, he surveyed the list of undertakings, many of which are still in course of erection, for producing different parts of the equipment required, he realised that it would be necessary to multiply by three, four or five times the number of men and women employed before attaining the full capacity planned for the programme. When, in turn, the rearmament programme has run its course, there will be the expansion in International Trade which is expected to follow the projected commercial *entente* between the United States and the British Commonwealth and the even wider international measures which are expected subsequent to that agreement, as outlined in the Van Zeeland Report, and as the result of the new World Economic Conference to which that Report is intended to lead.

Meanwhile, the British oversea trade totals for 1937 carry at least one lesson of great significance, namely, that the application of protective tariffs does not necessarily involve a curtailment, and may even be consistent with a rapid and substantial expansion, of external trade, provided they are maintained at reasonable levels, and are tempered and supplemented by trade agreements keeping the essential desirability of freer trade well in view. The sufficient answer to the contention that Great Britain, by abandoning her traditional system of free imports, struck a fatal blow at international trade, is that in 1937 British imports were valued at over £1,029 million compared with £756 million as recently as 1935, an increase of £273 million within three years. A proportionate increase in the imports of other Western countries would have placed international trade on a more favourable basis than it occupies to-day. It is due to the British National Government to say that, while extending reasonable protection to British industries, their fiscal policy has accorded due recognition to the special status of Great Britain as a creditor country, to the great advantage of debtor and other countries less fortunately circumstanced. It is true that, despite a rise in exports to £521 million (or including re-exports, to £596 million) the year's adverse "visible" balance has risen to £432 million, contrasted with £346 million in 1936 and £275 million in 1935, and that the deficiency for 1937 therefore exceeds even that for the "crisis" year 1931, when the figure was £407 million. But, in this direction, in view of her oversea investments, and the still unexhausted possibilities of international trade, Great Britain is taking a long view, and can afford to do so.

British Policy and International Trade.

The British Government reinforced the maintenance of international peace in 1937—incidentally buttressing British industry and employment—by an extensive and expensive programme of military rearmament; and in 1938, utilising the anticipated Anglo-American Trade Agreement as a new starting point, it plans to reinforce it still further, and to place it on a sounder and more stable basis, by policies designed to initiate a process of economic disarmament, including all countries, "Have" or "Have Not," in its sweep. The readiness now displayed to modify, if not abandon, the Ottawa policy constitutes a practical and statesmanlike recognition, dictated by hard experience, that no country, or Empire, however great its natural resources, or however

complete its political unity, is, or ever can be, economically self-sufficient. The attempt has been made, and it has failed, definitely and finally. Science has decreed the evolution of the world into an economic unit, and political and other sectional interests to the contrary notwithstanding, world prosperity cannot be built on any narrower foundation. The approach may be slow, difficult and tortuous, but the goal will remain. Complete free trade was never practicable, but freer trade is not merely possible but, when the artificial economic stimulus given by rearmament ceases, will represent the only alternative to another World War more disastrous than the last. No country has pursued the ideal of self-sufficiency with greater avidity or determination than Germany, or continues to do so. Nevertheless, as Dr. Schacht has recently reminded his countrymen, " there is no State which can hope to attain absolute self-sufficiency." Exclusion from world trade, as the Nazi financier-statesman maintains, creates larger or smaller gaps in the supply of economic goods, thus depressing the standard of living. " Periods of flourishing trade," he adds, " have always been period of progress in civilization. For that reason every country must be interested in improving foreign trade relations." Distance does not diminish economic interdependence, as the world-wide repercussions of the " recession " in America have emphasised anew. If prosperity, like peace, is indivisible, so is depression. An increase in international trade awaits an increase in international co-operation.

Planned Production and Planned Consumption.

Any new World Economic Conference which essayed to increase international trade by sacrificing the increases in national production which have been achieved in so many countries since the onset of the World Depression would be foredoomed to futility and failure before it assembled. Production may require regulation, but, so long as consumption remains on its present low level, in very few industries is there any abiding justification for restriction. Many of the emergency tariffs, quotas, and other restrictions imposed in 1931, and still in operation, have lost their original warrant, and their abolition is overdue. Sooner or later,—has not the Tripartite Agreement been described as " a stabilization of instabilities " ?—it will also be necessary to stabilise the exchanges, and possibly to pare down certain international debts, not the war debts alone. An International Economic Conference, however, which restricted its attention and activities to the elimination or amelioration of these surface symptoms would not carry recovery very far. Incomparably, the most urgent and important contribution to a sound and stable rehabilitation of the world's economic system is a vast increase in consumption, beginning with food. The " Nutrition and Public Health " investigations initiated by the League of Nations have produced irrefutable evidence of malnutrition among large sections of the populations even in the most " advanced " countries; and it is a reasonable inference that in the economically backward countries, which contain an overwhelming majority of the world's population, under-feeding is the rule rather than the exception. In many countries, owing to fiscal and other reasons, the price-level of essential foodstuffs is too high; and in all countries without exception, consumption is too low. Consequently what has been aptly described as the policy of " marrying Agriculture and Health," merits all the attention it is receiving, if only on humanitarian grounds alone. Perhaps, however, a factor that may prove even more decisive than humanitarian considerations in helping forward the adoption by all Governments of

the Better Nutrition movement, of which Lord Linlithgow has made himself the spokesman in India, is that its general acceptance and implementation constitutes a vital pre-requisite to World Recovery on the only basis which practical statesmen and economists accept as practicable, *viz.*, a revival of international trade so planned as to enable the expansion in national production achieved, under the intensive development programmes of recent years, to be not only maintained but increased. In the latest Geneva "Economic Survey" the hope is expressed that, in due course, a material contribution will be made to the restoration of international trade by a revival, on the pre-depression scale, of international investment. That hope, for reasons elaborated in later paragraphs, we believe to be illusory. Equally illusory, we are convinced, is the expectation of any lowering of tariffs permitting the older manufacturing countries to regain the markets captured by the domestic industries which have been established, or have matured, in the last six or seven years. It is a safe assumption that the whole division of countries, virtually into farms "and factories", which for so many years rendered international trade a simple but profitable exchange of manufactures for primary products, will not, in any circumstances, be re-established. As the original agricultural countries have become more industrial, the manufacturing countries, as exemplified by Germany, Italy, and even Great Britain, have increased their agricultural outputs, and in particular, are increasing the domestic outturn of foodstuffs, to such an extent, indeed, that, as we have already noted, the international trade in food has shown a substantial, and apparently permanent, decline. It is as a result of this circumstance that the Geneva Survey has felt it necessary to observe that the expansion in international trade would be more satisfactory if it were not concentrated so largely on raw materials, the very pertinent comment being added that the world will be poorer, and international trade more liable to extreme fluctuations, with serious consequences for the agricultural countries, if the exchange of raw materials against manufactures becomes an even more dominating proportion of the total trade transacted.

If, however, the expanded domestic industries retain their very enlarged share of the demand for consumer goods in their own markets; and if the cessation of international investment by investors in the great industrials and creditor countries continues to limit their export of capital goods, it remains to consider on what new foundations international trade, so vital to the continued prosperity of every national unit, can regain its former volume and value, without the aid of such artificial and unreliable stimuli, including rearmament, as are now being applied. Eliminating schemes which must be rejected as impracticable, however theoretically attractive, measures framed to raise the general standard of living, and therefore of consumption, remain as the only effective solution, a conclusion which does not blind us to the difficulty either of devising such measures or of carrying them into effect. Perhaps in no part of the Empire is the need for development along these lines more perceptible or even obtrusive than in India owing to the tendency of population to increase more rapidly than production and therefore to impose increasing strains on rural resources. It follows also that in no Empire country do present economic conditions offer a more direct or formidable challenge to constructive statesmanship and the application of new energy and ideas to the solution of old problems. Meanwhile, there is no sign of a slump, on the contrary all the omens for 1938 point to renewed recovery including a return to the more profitable level of prices for primary products prevalent prior to last year's unfortunate set-back. Cotton, owing to America's

superabundant crop, will lag behind other commodities, and the question may be raised whether the time has not arrived for international regulation of this as of other products of lesser importance, including tea, rubber, coffee, tin, etc. "Prosperity," as a famous British statesman has recently reiterated, "depends upon good prices," and cotton is no exception to that dictum.

Will International Investment Revive?

In last year's Review we gave expression to the view, periodically reiterated and elaborated by leading financiers and economists, that "International lending has lost none of its former indispensability as a contribution to international trade; on the contrary, its importance has increased. For one of the consequences of the world-wide growth of domestic industries, namely, the smaller percentage of consumer-goods figuring in international commerce, is a greatly increased dependence on capital goods if such commerce is ever to regain its former proportions." And we proceeded to emphasise that "although the potential demand for such goods is so large as to be almost immeasurable, its effective expression is deferred until the creditor and industrial countries are prepared to resume long-term credits, thus recognising the new foundation on which international trade must rest, and giving it a new lease of life." That this view has meanwhile lost none of its former authority and validity may be fairly deduced from the latest Economic Survey issued by the League of Nations in which it is remarked that the low level of international investment, together with the spread of protection, is largely responsible for the present lag between national production and international trade. Both factors, as the Geneva commentator observes, affect trade in capital goods, since the purchasing power of the developing agricultural countries is hampered by a contraction of their former export markets, while their industrial development is now largely based on their own limited capital resources. Not only, it is added, does foreign investment remain at a low ebb; many debtor countries are, in fact, repaying old loans and credits, particularly to the United Kingdom and the United States. Nowhere in the world are there any signs of a revival of long-term capital issues for foreign countries. On the contrary, redemptions, repayments and repatriations of old foreign loans greatly exceed new issues. Capital remains superabundant, but confidence is lacking. Other, more enduring, influences, however, are also at work and a careful evaluation of these leads irresistibly to the conclusion that a revival of international investment, on the scale and basis familiar prior to the Great Depression, is highly improbable. Doubtless such a conclusion will be challenged, but if it can be justified it obviously represents a change of major importance, and may necessitate the reconstruction of international trade on new foundations.

A brief retrospect will help to clarify the position. In the pre-war period the "going was easy," with Great Britain well to the forefront as the principal lender. The exchanges were relatively stable, and the capital invested was allocated mainly to railway and other public utility projects in the primary producing countries, and led to a large and profitable exchange of foodstuffs and raw materials for manufactured goods in which Great Britain was the principal but not the only beneficiary. Investment and trade alike were on an essentially complementary basis. In the post-war period, with Reparation payments and other disturbing and distorting factors dominant, international capital flowed into less productive channels, cluminating, with the arrival of the World Depression,

in repudiations, defaults, and restrictions of interest payments which, notwithstanding the intervening recovery in trade and prices, in many cases are still operative. Meanwhile, self-sufficiency programmes have secured widespread adhesion, and include growing reliance on local capital as well as local production, of agricultural and manufactured products alike. In other words, financial and economic independence are developing concurrently. Sir Robert Kindersley's analysis of British oversea investments indicates the trend, showing that in 1936 a higher level of capital repayments was accompanied by a reduction in the aggregate sum outstanding. Improved economic conditions in the Dominions were reflected in very large repayments of their sterling loans in 1935 and 1936. In the latter year, the gross redemption of Dominion Government loans in London totalled £74.7 million, by far the highest figure on record, and these operations were accompanied by a net reduction in Empire Government and Municipal loans of £57 million. Foreign loans fell by £5 million in the same year.

British capital is remaining at home. Little new money has been raised since 1930 to finance British companies operating abroad, except in the case of mining companies, where the position was affected by the rise in the price of gold. On the contrary, Governments in certain countries, as Sir Robert Kindersley emphasises, are turning their attention to taking over important enterprises at present under foreign management and control, such a movement being particularly prominent in South America, always one of the largest outlets for British capital. It may perhaps seem remarkable, in view of the rapid acceleration of the pace of industrialisation in Canada, South Africa and Australia, and the consequent increased demand for capital, that the total of Dominion loans outstanding in London fell in 1935 and 1936. The significant explanation, however, is that economic recovery has enabled these countries to finance new projects in their domestic markets, while the growing volume of their export trade has permitted them to pay for imported capital goods from the proceeds of their exports and to redeem sterling loans from the accumulated foreign exchange reserves (a movement in which India has shared). Meanwhile, the increase in the British holdings of foreign loans since 1932 so far from reflecting a corresponding and voluntary investment of new money, constitutes the involuntary conversion of unremitted interest into capital. If the estimated yield of British oversea investments fell in 1936 to £184 million compared with nearly £231 million in 1929, the reason is that domestic booms, unless accompanied by recovery in international trade, do not facilitate remittance. On the whole, there has been a decline in the quality, as well as in the total, of British loans abroad, inasmuch as repayments since the depression have been mainly concentrated on the best class of securities. One of the resultant problems is the diminishing ability of Great Britain to finance its growing imports without drawing on accumulated capital, a problem rendered additionally acute by the larger adverse balance of trade in 1937.

On the whole, therefore, the decisive factors affecting new international investment remain steadily adverse. The movements towards economic and financial self-sufficiency, as we have already, stressed, are coincident and correlated. Within the British Commonwealth, India and the Dominions in addition to financing new enterprise mainly from their own resources, are finding it possible to reduce prior commitments, and in these territories—an important change—the scope for new capital is now limited almost exclusively to the development of industries in direct competition with British

producers; potential capital developments, of a complementary character, now being virtually limited to the Colonial Empire alone. The basic significance of the narrowing scope for imported capital in Empire countries may be emphasised by a brief analysis of the distribution of British oversea investments at the end of 1936. At that date, of an aggregate nominal capital of £3,364 million, Foreign, Dominion and Colonial Government and Municipal Loans accounted for £1,441 million; British Companies operating abroad (registered in the United Kingdom) £1,220 million; and Foreign and Dominion Companies (registered abroad) for £703 million. Of the £1,441 million invested in Empire and Foreign loans, Empire loans accounted for £1,100 million and Foreign for only £341 million (23.7 per cent). For political as well as financial reasons it seems unlikely that a diminution in the flow of British capital to Empire countries will be offset by larger investments in foreign countries; nor is there any indication that American capital will display a more adventurous trend. Prolonged and continuing defaults render debtor countries in Continental Europe unattractive fields for new commitments; in China, under Japanese dominance the outlook for Western capital is threatened by progressive deterioration; while in South America, owing to political instability and a developing tendency to restrict and even extrude foreign capital and management, the same prospect applies. The conclusion enforced is that international long-term investment will decline rather than revive, however deleterious the reactions on world trade.

INDIA.

The year 1937 began with excellent prospects. India in common with other primary producers of the world, profited by the general rise in commodity prices which took a definite upward trend in the last quarter of 1936. Early this year, the countries producing raw materials for export in world market were in a happy position. Coupled with the rise in value of raw products, there was a marked improvement in the international exchange of goods. The increase both in quantum and value of primary commodities substantially enhanced the purchasing power of countries producing them. India's share in the international trade, showed marked expansion, both in value and volume, especially during the earlier part of the year. Industrial production increased considerably. During the first quarter a wave of speculation overran the markets. Speculation in commodities and stocks reached giddy heights and prices touched record levels. Unfortunately, that trend did not last long. This hectic activity and the sharp advance in prices in all the principal markets brought a note of warning from President Roosevelt in April, which was followed by the unfounded 'gold scare'. On top of this came the announcement of the Original National Defence Contribution in the British Budget. All these events coming in quick succession on a highly vulnerable market brought about a collapse in commodity prices. Trade began to show signs of recession. Initial optimism regarding the rearmament programme began to fade and by August, a pessimistic feeling was prevalent. Speculators had burnt their fingers badly and it was natural that they would refrain from entering the market again before tangible signs of renewed business activity were in evidence. By the end of the year, the upward trend was almost completely reversed and doubts had arisen as to whether trade was not definitely on the down-grade and that we were not on the threshold of a major slump.

Prices advanced in the first quarter, but not to the same extent by which they fell in the years 1929-32. Taking 1914 as the base, the index number of wholesale prices in India stood at 145 in 1929,

109 in 1932, 95 in 1933, 98 in November 1936 and 110 in March 1937. By the end of November 1937, the number had declined to 105. Thus the rise in the first quarter of 1937 was only fractional when compared with the fall since 1929, but it was 15% above the average index number of 1936, which was 96 on the 1914 as base. By the end of the year, not only were the earlier gains wiped out, but in some cases prices were even lower than those ruling in 1936. The price of cotton dwindled to Rs.150 per candy but recovered to Rs.172 at the close. In the case of metals there was a drop of 10 points in the index number of wholesale prices, *i.e.* 128 in October as against 138 in March. The following table shows the comparative rise in the index number of wholesale prices in the more important countries.

Index Nos. of wholesale Prices of some of the Principal Countries of the world.
(Base 1929=100)

	India.	U. K.	U.S.A.	Japan.	France.	Germany.
1930..	82.3	84.0	90.7	82.4	88.4	90.8
1931..	68.1	70.2	76.6	69.6	80.0	80.8
1932..	64.5	67.7	68.0	73.3	68.2	70.3
1936 Highest	66.7	85.8	88.4	97.8	82.8	76.5
Lowest	63.8	75.5	82.5	86.8	57.3	75.5
1937						
March	70.9	94.4	92.1	109.1	87.7	77.3
June	72.3	91.2	91.5	108.4	88.8	77.3
September	73.8	89.0	....	....	100.3	....

The rise was mainly in raw products, cereals, cotton and metals being the outstanding items in this group. Cereals advanced by 17%, raw cotton by 12% and metals by 38% by the end of March over the average prices of 1936. The price of Broach Cotton—the standardised grade—advanced from Rs. 230 at the end of 1936 to Rs. 258 by end of March 1937, Wheat (Khandwa) from Rs. 49 to Rs. 52/8 per candy, Copper from Rs. 48/4 to Rs. 65/- per cwt. On the other hand, the index number for cotton manufactures remained practically static and the rise in other manufactures was comparatively small. There was, however, some alleviation in the position of the agriculturist owing to the narrowing of the gap between the prices of prime commodities and of manufactured goods.

The recovery in the foreign trade of India was also marked. However, owing to larger imports of foreign merchandise encouraged by the increased purchasing power of the people as a result of the rise in raw commodity prices, the merchandise favourable balance of trade was comparatively smaller in 1937. The total exports including re-exports aggregated Rs.210.23 crores during 1937 as compared with Rs. 185.25 crores in the corresponding period of 1936. Total imports of foreign merchandise, on the other hand, increased from Rs.124.48 crores in 1936 to Rs.164.26 crores in 1937, *i.e.*, a rise of over 32 per cent, leaving a favourable merchandise trade balance of Rs.45.98 crores in 1937 as against Rs.60.77 crores in 1936. The increase in the value of exports was largely the result of higher prices obtained for India's products in world markets. The table annexed on page 108 giving the details of exports from India may be found interesting.

To the extent that the expansion of trade of a country depends on the number of trade pacts entered into with the outside world, India was not very fortunate. The Ottawa Agreement was terminated by the Indian Legislature at the end of 1936 and although more than a year had elapsed no fresh agreement has been arrived at between India and Great Britain. In the meantime, the obligations imposed by the Ottawa Agreement have been allowed to continue.

The proposals of the Indian Panel of Advisers regarding an Indo-British Trade Agreement were forwarded to the British Board of Trade towards the end of 1936. In March this year, it was known that the British Board of Trade had accepted the main principles underlying the Indian Memorandum and the Indian advisers were invited to England with a view to facilitate an early conclusion of agreement by personal contact. The memorandum provided that any agreement reached had to be on a basis advantageous to both the countries. The unofficial advisers proceeded to England in May and the negotiations lasted for nearly six months, but no definite decisions were reached. Towards the end of October, the Government of India issued an unofficial communique that the negotiations in England were to cease forthwith and the delegation was to return to India and further efforts, if any, would be made from India. The real trouble is reported to have come from the cotton and jute interests in the United Kingdom.

The unofficial advisers were invited on their return to Delhi where the Indo-British Trade talks were continued and the Commerce Member of the Government of India has again gone to England with a view to conclude the protracted negotiations. It is to be hoped that the labours of the Indian section will bear fruit this time and that an understanding which will be fair and equitable to India will be arrived at. The Indian Legislature should then be given full opportunity to discuss the terms of the arrangement, and if found suitable, to ratify them. The agreement should aim at helping the export trade in India's prime commodities not only to the United Kingdom but also to the outside world.

The Indo-Japanese Trade Protocol expired in March and a new Protocol was made which will have effect until March 31, 1940. It was only after long and protracted talks that the arrangement was concluded and at times it was even reported that the negotiations were on the point of breaking down. Under the new arrangement the import quota for Japanese piece-goods is fixed at 283 million yards as compared with 325 million yards under the old agreement. The purchase of Indian cotton by Japan, however, is left unchanged at one million bales. The piece-goods quota can be increased to a maximum of 358 million yards if the purchase of raw cotton is increased to 1½ million bales. No classification of coloured goods is subdivided and a fixed percentage is allotted to each class of goods. Japan has undertaken to limit her exports of cotton fents to 8.75 million yards. The Government of India, on the other hand, have given an understanding not to raise the duty on fents above 35%. The imports of artificial silk goods are left free as they are now, despite the insistence of the Indian unofficial side that the artificial silk goods should also be subjected to an agreed quota. Artificial silk fents, however, are subjected to the same duty as piece-goods. The new Protocol as concluded showed no improvement on the existing arrangement and was not favourably received by the commercial community. Furthermore the Indian commercial public had made strong representations to the Government of India that the new trade agreement should not only cover textile manufactures, but also extend to other minor industries. The Protocol was concluded on the existing basis, no reference being made to minor industries. The Government of India, however, were not unmindful of the representations made to them for the protection of minor industries and, early in June a notification was issued that a Special Officer was appointed to inquire into the effects of Japanese competition on the smaller industries in India. No sooner had the investigation commenced than it was found that owing to Exchange restrictions and Japan's preoccupation in war with China, the prices of Japanese

goods were rising. Consequently, the official inquiry has been suspended for the time being. The effect of Japanese competition has always been so severe on the smaller industries that none has been able to get a firm footing. It is, therefore, hoped that Government will take strong and effective action to protect small Indian industries.

The merchandise balance of trade in favour of India which amounted to Rs.45.98 crores in 1937 was supplemented by the export of gold to the value of Rs.18.28 crores. Making allowance for imports of Treasure valued at Rs. 8.72 crores, there was left a balance (in merchandise and treasure) of Rs.55.53 crores. The invisible items militating against this balance in case of a country like India with a foreign debt of Rs.368 crores and depending largely as it does on foreign sources for supply of essential services like shipping, insurance, banking, etc., must be extensive. Furthermore, the annual charges for disbursement through the Secretary of State for India aggregate about £35 million, *viz.*, about Rs. 46 crores, thus reducing the favourable balance of trade to a negligible figure if any. It may further be stressed that the outward flow of gold cannot be relied upon to any extent now to meet the external obligations of India since it is fast dwindling. The total exports of gold during 1937 are valued at Rs.18.28 crores as compared with Rs. 33.16 crores in 1936, *i.e.*, a shrinkage of about 45 per cent. This is an unmistakable pointer that the supply of gold for export is rapidly diminishing. The total quantity of gold exported since the abandonment of the gold standard by the United Kingdom in September 1931 now aggregates Rs. 318.95 crores in value and 37,732,535 fine ounces.

The improvement in the volume of merchandise exports and the continued outflow of gold, though on a diminished scale, enabled Government to buy large blocks of sterling in the open market at favourable rates especially in the first four months. The amounts tendered were so large that Government decided to increase the weekly tenders to £2 million for the second time since the inception of this system in 1927. The first occasion for £2 million tenders was in the week ending September 21, 1927. The total amount of sterling tendered from January to April 1937 aggregated £770,409,000, of which Government accepted £25,470,000 at 1*s.* 6$\frac{1}{32}$*d.* and bought additional £4,187,000 on tap at 1*s.* 6$\frac{5}{32}$*d.*

The fall in commodity prices which began in April and continued throughout the year affected the export trade and accordingly the volume of tenders to Government shrank; the total amount offered in the last eight months aggregated £6,593,000, all of which were accepted at 1*s.* 6$\frac{1}{32}$*d.*

Owing to a large acquisition of sterling balances in the first quarter of the year, the opening balance with the Government of India in the Home Treasury was high amounting to about £12$\frac{1}{2}$ million on April 1, 1937 and £12,073,000 were remitted through open market purchases from April to December. The total net requirements of the Government of India for the Secretary of State's disbursements in London for the fiscal year 1937-38 are estimated at £35.60 million, thus leaving a balance of about £11 million to be remitted before the close of the fiscal year. The conditions at the end of the year were not quite so favourable from the point of view of remittances, since exports of both merchandise and gold were diminishing. However, the amount required is by no means very large and may be expected to be easily forthcoming before the close of the fiscal year.

The expansion in trade in the first quarter of the year was accompanied by larger revenue returns. This helped Government to adjust the ways and means position with ease and they had no recourse to the Reserve Bank for temporary advances except in the opening week, probably with a view to meet the beginning of the year requirements, when they borrowed Rs.3 crores, repaying the same in the subsequent week. Government deposits, on the other hand, which stood at the low figure of Rs.8.51 crores, swelled to Rs.16.60 crores by the end of February, but declined to Rs.14.52 crores by the end of March. During the period from April to Mid-November, Government borrowed occasionally one or two crores from the Reserve Bank for ways and means, but promptly liquidated them. Their balances at the bank gradually declined and averaged about Rs.9 crores, reaching the low figure of Rs.8.61 crores on 20th of August. There was a gradual inflow at this level and the figures swelled to Rs.16.41 crores on 1st of October. Thereafter there was a gradual decline owing probably to the slackening of the revenue returns and Government had to borrow for ways and means from the Reserve Bank more frequently towards the close of the year. The maximum borrowing was Rs.4 crores and at the end of the year the figure under this head stood at Rs.2 crores.

The sale of Treasury Bills continued uninterrupted throughout 1937. The amount of weekly tenders invited, however, was manipulated according to the needs of the money market as well as with an eye on the Government's ways and means position. After the separation of Burma since April, additional tenders were invited occasionally to meet the special needs of the separated Province. The total tenders issued in Burma aggregated Rs.90 lacs in 1937 and were of four months usuance.

Despite temporary tightness in the money market in the first quarter, necessitating expansion of currency to the tune of Rs.8 crores, largely against the transfer of sterling securities from the Banking department to the Issue department, Government secured the desired quota of Treasury Bills every week and at progressively lower rates of interest. Rs.2 crores were offered and accepted in the first two weeks, when the amount of tenders was reduced to Rs.1 crore. The average rate of acceptance was Rs.1-2-11 per cent in the first week, but it was gradually reduced to Rs.1 per cent by the end of January and was maintained at about this level till the end of June. Thereafter there was a short reduction in the acceptance rate till it touched the low of Rs. 0-6-11 on 20th August 1937. This is the lowest rate for the second time on record at which Government discounted three months Treasury Bills since their inception in October 1927. The amounts tendered at this juncture were very large, and Government decided to increase the amount of tenders to Rs.2 crores, which was maintained throughout the year, barring a temporary reduction in the figure to Rs.1 crore a week in late October and early November. Owing to the approach of the export season the rate of acceptance gradually improved and reached Rs.1-4-0 at the end of the year, which incidentally was the highest rate for the year. The total amount tendered during 1937 was Rs.1,05,83,75,000 of which Rs.69,83,50,000 were accepted at an average rate of Rs.0-13-0 per cent. At the end of the year the outstanding Bills with the public amounted to Rs.23 crores as compared with Rs.28 crores at the end of the previous year. In addition Rs.18.84 crores of Treasury Bills were outstanding with the issue department of the Reserve Bank. The Finance Member anticipated in his Budget speech that the outstanding bills would be Rs.34 crores at the end of the financial year 1937-38. There

was no necessity for Government to have recourse to the sale of Intermediate Treasury Bills, nor was their usuance changed from three months.

The regular flow of funds into this system of short-term investment was partly due to the continuance of cheap money and partly to the absence of Governmental long-term borrowing during the year. The Hon'ble the Finance Member had stated in his Budget speech that there would be no fresh borrowing, but Government would make use of cheap long-term credit, if considered desirable, for capital expenditure. This was evidently not found necessary.

The Governments of some of the newly constituted Provinces issued small loans aggregating Rs.4.60 crores at the end of August and these were oversubscribed. There were further small loans issued by the Public bodies including Rs.1.50 crores by the Howrah Bridge Commissioners.

India enjoys a peculiar position to-day with regard to long-term borrowing. Money remains cheap as in other important countries, but most of the Western and Eastern nations are committed to extensive rearmament expenditure programme. Furthermore, the political tension in Europe and the Far East has had a damping effect on gilt-edged in London and other markets. The currency uncertainties have not been without their effect and have deterred many investors. All these have left the local gilt-edged unaffected and there is a persistent demand for investment at comparatively high rates.

The annual accruals of savings which are earmarked for investment in gilt-edged alone amount to about Rs.20 crores and if no fresh loans are raised, these new savings must seek investment in old securities. This is the outstanding feature of the Indian gilt-edged market.

The following table will suffice to illustrate the strong position of the gilt-edged market in India and is conclusive proof that the Government of India's credit is pre-eminent and stands below none among the important countries :—

INDIA.				UNITED KINGDOM.				FRANCE.				UNITED STATES.			
Securities.	Highest.	Lowest.	Present Rate (30-12-37).	Securities.	Highest.	Lowest.	Present Rate (31-12-37).	Securities.	Highest.	Lowest.	Present Rate.	Securities.	Highest.	Lowest.	Present Rate.
	Rs.	Rs.		£	£				Fcs.	Fcs.	Fcs.		$	$	
3½% ..	100/9	91/4	97/15	2½% Consols.	84⅛	73 3/32	74⅛	4½% Rentes 1990	106.95 %	90 %	104.30 %	4¼ % Tr. Bonds 1947-52	121.14	113.16	116.30
4% 1943.	111/13	106/10	108/6	3% Conv. Loan. 1948-53	103⅜	97⅛	101⅛	5% Rentes Francaise (60 years)	100.25 %	89.50 %	94.50 %	2½ % Tr. Bonds 1956-59	.. 103.18	.. 98.00	.. 101.30
4% 1960-70.	115/8	109/12	113/13	4% Funding Loan. 1960-90	116⅛	109	112⅛	5½% Credit National (Face Value Fcs. 1000.)	915	890	897				

With the marked improvement in India's trade and the continued cheapness of money helping Government to borrow at almost nominal rates, the budgetary position of the Government of India is satisfactory. Receipts from Customs revenue aggregate Rs.41.70 crores from April to December 1937, as compared with Rs.36.60 crores during the same period in 1936 against the budgetted figure Rs.42.60 for the fiscal year 1937-38.

The Railway figures also show a considerable improvement although in the concluding weeks of the year these were showing signs of a falling off. The earnings of all State Railways amounted to Rs.65.98 crores from 1st April to 20th December 1937 as compared with Rs.62.46 crores during the corresponding period of 1936.

The report of the Committee appointed to investigate into the affairs of the Indian Railways was released at the end of June and the most important of the findings was that no surplus could be expected for contributions to the general revenues and that the Indian railways should no longer be looked to as a possible source of revenue for the relief of general taxation. It surely did not need an expert committee to come to this negative decision. It was expected that a Committee so experienced in Railway administration would suggest changes in administration and policy, which would enlarge the revenues, economise in expenditure and bring about a progressive improvement in the outlook of the Railways.

The Railway debt represents nearly two-thirds of the National debt of India and the general taxpayer has always been looking to the Railways for a substantial contribution to the General revenues which would help to lighten the burden of taxation. Furthermore, according to the Niemeyer proposals, it is the contribution from the Railways that is to enable the Central Government to refund a share of the income-tax to provincial revenues. Rightly, no decision has been taken in this regard by the Government of India and it is only proper that when Railway earnings show a surplus, due contribution should be made to the General revenues.

Sir Sultan Ahmed, the Acting Railway Member, stated in theLegislative Assembly that no decision would be taken in any major issue contained in the report without consulting the Legislature. He also stated that nothing would be done to prejudice the commitments to the Provinces under the Niemeyer Award.

Taking into account the revenue returns from various sources for the past 9 months and viewing the future with reassured optimism it is not unlikely that there will be a substantial surplus in the Budget estimates for the fiscal year 1937-38. The taxpayer's claim is paramount on any surplus and it is to be hoped that the Finance Member will remove the remaining surcharge on taxes on income.

The additional excise duty imposed on sugar against the opposition of the Assembly, through certification by H.E. the Governor-General in Council, has not only checked the growth of the industry, but has brought loss to many of the older companies. In the interests of the industrial progress of the country, it is earnestly hoped that the Finance Member will see his way to remove the extra excise duty imposed.

For the third time in succession the Finance Bill of the Government of India during the regime of the present Finance Member, Sir James Grigg, had to be certified. It is certainly against all recognised principles of democracy that a Finance Bill should be certified against the verdict of the popular Assembly. It may be hoped, however, that with the expected surplus of revenue over expenditure, a popular finance bill will be framed so as to be readily acceptable to the Legislative Assembly.

Income-Tax Report.—The report of the Committee appointed by the Government of India to investigate the Indian income-tax system was released for publication in the last week of January. The Committee was called upon to investigate both the incidence of the tax and the efficiency of its administration, and the report accordingly was divided into two main parts.

In regard to the incidence of the tax, the recommendations are based upon a proposal aiming at a fundamental alteration in the basis of the charge. The Committee recommends the " slab " system in place of the existing " step " system.

Special stress is laid upon " income arising abroad ". Foreign income of a resident in British India is at present assessable only to the extent to which it has been received in or brought into British India. It is now proposed by the Committee that such income should be dealt with on the basis of the whole income arising. Suggestions had been previously made to amend the Income-Tax Act so as to make this recommendation effective, but for various reasons, the Government of India considered it inadvisable to do so. Circumstances have in no way altered to give effect to the recommendations now. There are difficulties in determining the profits assessable in the case of foreign business and the income to be derived from this source may not prove commensurate with the administrative expenses and difficulties involved in the collection.

The Committee have endeavoured throughout to bring as far as possible the Act in line with the income-tax law and practice in the United Kingdom. The Committee endorse the principle that losses incurred in business, profession or vocation in any year should be allowed to be carried forward to the following years. In the absence of such a rule in the existing system, the commercial community has suffered a great deal and has a justifiable grievance on this score. It may be confidently hoped that this recommendation will be adopted while amending the Act. The Committee have, however, disregarded the claim of the taxpayer to allowances (family, etc.) which obtain under the English income-tax system. The need for reform in this direction is imperative, taking into consideration the social and economic conditions in India.

While the income-tax law is being revised, rules regarding the assessment of the accounts of Investment Trust companies should receive due consideration. Investment Trust companies are becoming popular for the small investor and they bring to him the benefits of well spread risks over a wide range of securities. Safety of capital and modest return are assured. What applies to an individual investor should apply to a Trust company since it represents nothing but a collective body of investors. At present an individual investor is exempt from taxes on any appreciation on his investment portfolio and it would seem only proper that the same rule should apply to Investment Trust companies. It is as natural for an individual to vary his investments as for an Investment Trust company with a view to safety of capital and any accretion arising out of a change should be treated as a capital gain and as such exempted from taxes.

The Income-Tax Amendment Bill embodying the recommendations has been receiving consideration of the Government of India, and it is expected to be put before the Legislative Assembly shortly. In the meantime Government have appointed Mr. S. P. Chambers, who was a member of the above Committee, as Income-Tax Adviser to the Government of India.

While the Indian Companies (Amendment) Act was an accomplished fact in 1937, another bill of equal importance to the commercial community of India, *viz.*, the Insurance Bill was before the Legislature during the year. The Bill was introduced in the Legislative Assembly in the last week of January, but was referred to a Select Committee which reported in August at the Simla session of the Assembly. The Bill was passed by the Legislative Assembly. Several amendments were made by the Council of State at a special session held in November and the Bill in its amended form will be presented to the Legislative Assembly during the coming Delhi session in January 1938.

The Bill goes a long way not only to regulate the business of insurance in India, but also places it on a firm and stable basis. A new Insurance department of the Government of India under the control of a Superintendent of Insurance is to be inaugurated with adequate powers to deal with companies whose operations are not in the best interests of Indian insurance and the public. All the companies in India will be required to comply with certain conditions before receiving a license to carry on the insurance business. The following are some of the important provisions in the Bill :—

1. Every company—Indian or foreign—must register with the Government of India before starting business.

2. All classes of companies are required to place larger deposits with the Government.

3. For new companies, not only is the deposit required, but working capital in addition is made obligatory.

4. Foreign companies are defined as companies whose capital to the extent of 75 per cent. is not held by Indian nationals.

5. Foreign companies doing business in India are to suffer from the same disabilities as Indian companies suffer in those respective countries.

6. Non-Indian companies have to keep reserves in India to the extent of their liabilities in this country.

7. Indian and non-Indian companies are required to submit similar accounts.

8. The policyholders have been given a voice in the management and at least one-fourth of the Directors are to be appointed by them.

9. 55 per cent. of the Assets are required to be invested in Government and other approved securities.

10. Agents are to be licensed and limits are put on the commission payable to them.

11. The life of Managing Agents is restricted to 3 years with limited emoluments.

The Bill puts a check on the spread of mushroom companies which have been growing fast owing to the slender deposit requirements under the old regulations. The interests of policyholders have been protected by their compulsory representation on the Board of the companies. The expensive and unnecessary burden imposed through the system of managing agencies is controlled. Foreign companies are denied any privileges. All these auger well for the growth of efficiently managed Indian insurance companies.

The report of the Special Committee appointed by the Government of Bombay in November 1936 to inquire into the organisation and working of the local Stock Exchange was released for publication on 13th March 1937.

The Committee deprecate the power vested in the Board of Directors to intervene in the natural course of trading and they are strongly of the opinion that there should be no interference with free trading on the market. They therefore recommend that rules pertaining to bear raids and corners giving the Board the right to interfere should be made operative only on obtaining the previous sanction of the Government. The Committee also recommend that power to close the market for more than 24 hours should vest in the Government.

The Committee recommend the system of margins or in the alternative a fortnightly settlement with a view to check over-trading. They are, however, of the opinion that forward trading should not be stopped. On the contrary they recommend that the forward list should be extended so as to widen the area of legitimate speculation. Legitimate speculation is really an assessment of risk and is essential for the healthy growth of trade and must not be deprecated. Forward trading in this sense is a normal business activity and is by no means harmful. It must, however, be distinguished from reckless gambling which takes no account whatever of business prospects, but thrives mainly on sentimental considerations. Though it is nearly a year since the Morrison Committee submitted their report with recommendations, no action has been taken thereupon by the Government of Bombay. Recently the Stock Exchange authorities have had to interfere in the course of free and uninterrupted trading to avert a crisis. The Government of Bombay should take immediate steps to reform the rules of the Stock Exchange, aiming mainly at safeguarding the interests of the investor.

Industrial Conditions.—Generally the Stock Exchange values are regarded as fair index of the economic activity of the community. They reflect the forward-looking anticipations of the investors and speculators, discounting several months ahead the business prospects. The past year, however, saw such wide fluctuations in Stock Exchange values that it is indeed difficult to take them as a guide to industrial and commercial activities during the period under review.

In the first quarter, business confidence was so robust that share-values attained peak levels. Towards the end, the confidence gave way to a distinct feeling of pessimism and the share-values registered a decline from 30 to 40 per cent. How far were such changes in sentiment affected by the actual state of affairs in different industries in the country ?

Cotton Textile Industry.—Cotton textile industry staged a remarkable recovery in 1937. In the past this premier industry of India was depressed owing to a variety of causes—low purchasing power of the people, severe foreign competition and labour troubles. Fortunately, during the past year both the internal as well as external factors were favourable for its steady progress. Among the internal factors, the most significant was the steady expansion in the indigenous demand, as a result of a rise in commodity prices during 1936. Mills have introduced methods of rationalisation with a view to increase efficiency and costs have been effectively reduced. Indian textile goods are more diversified and finer in quality. Indian producers have thus consolidated their position so

far as the indigenous markets are concerned. There was also a welcome revival in demand for Indian products from the neighbouring countries—Ceylon, Iran, Iraq, East Africa, Malaya, etc. Indian manufacturer has been able to capture a large share of the internal markets and further to sell his goods in adjacent markets at remunerative rates. Lancashire goods could not compete effectively with Indian manufactures because the prices of the former remained higher. Japanese goods are subjected to a quota under the new Indo-Japanese trade Protocol. Besides, Japanese traders were further handicapped first by exchange restrictions and later by the Sino-Japanese War. There was, therefore, an appreciable falling-off in Japanese exports right upto October when a big shipment arrived in India. Mention must be made of the effective legislative action which has gone a long way to counter Japanese competition. The Government of India have limited imports of cotton fents from Japan to 8.95 million yards a year and completely banned all imports of rayon fents whatever their origin. The trade in fents had gone out of all proportion. In 1936-37 imports of cotton fents amounted to about 32 million yards and those of rayon fents nearly 7 million yards. Indian manufacturers have complained about the severe competition of rayon goods and rayon mixture piece-goods. They pressed for their subjection to a quota but the Government of India refused this request and raised, instead, the duties on the goods by one anna per square yard. Rayon imports in 1936-37 aggregated 102,318,661 yards as against 74,491,051 in 1935-36 and 67,600,648 in 1934-35. The Panel of non-official advisers rightly emphasized in their memorandum that "unlimited imports of artificial silk goods represent a real menace to the prosperity of the Indian industry and have in the past eaten into the market for cotton piece-goods".

The total number of equipped mills in India was 370 as against 379 on 31st August 1936. The reduction, as the statement issued by the Millowners' Association, Bombay, explains, was due to the fact that this year the names of mills having less than 50 looms have been excluded. Out of the 370 mills in the country 35 were partly or completely idle. The total number of spindles in the equipped mills now stands at 9,731,000 showing a decrease of 126,000 during the year. The total number of looms is 197,810, a decrease of 2,252 during the year. The average number of spindles working daily during the year was 8,441,000 as against 8,504,000 in the previous year. Of the 200,000 looms erected, an average of 177,000 were working daily during the year, compared to 178,000 in the previous year. In Bombay City and Island, 2,322,000 spindles and 59,000 looms out of 2,890,000 spindles and 67,000 looms respectively were working regularly. These figures of spindle and loom activity exclude night shift working. The industry consumed 1,573,000 candies of 784 lbs. of cotton which was approximately the same as the consumption last year.

On the whole, the Indian textile mills have made real progress. Throughout the year, demand for textile goods has been well maintained and prices have ruled at remunerative levels. Stocks at the end of the year were reduced. Although some of the mills are still working at a loss the long-established and efficiently managed concerns are looking forward to making substantial profits. The present is, indeed, the most opportune time for Indian textile concerns to consolidate their position. Foreign competition is now in abeyance. Nobody knows how long the Sino-Japanese conflict will last; but in all likelihood Japan will take some time to revert to peace-time economic activities even after the hostilities cease. In the meantime attention should be drawn to two factors which will affect

the position of the Indian mills. Firstly, commodity prices suffered a setback during the latter half of the year and values of Indian exports have correspondingly declined. The position of the raw cotton producers has deteriorated owing to a sharp fall in prices. This will inevitably tend to reduce the purchasing power of the people. Secondly, the labour trouble threatened to interrupt the productive activity of the mills and the experiences of strikes in Ahmedabad and Cawnpore have shown that demands of labour have become insistent. The Government of Bombay have appointed a Committee to inquire into the affairs of the industry with authority to make interim recommendations regarding the increase in wages, if it was found necessary. It is difficult to anticipate the findings of the Committee but looking to the labour policy of the Government it appears that some increase in wages will be recommended. This will tend to raise costs, but given sound management and efficient production, this rise need not necessarily curtail the profit margin. There are other imponderable factors, specially the agitation of Lancashire producers to obtain some concession in tariff in order to enable them to compete effectively on the price factor. On the whole, however, it appears that the Indian textile industry will be able to hold its own in 1938.

Jute Industry.—What might have been perhaps the most prosperous year for the Jute industry proved to be one of the poorest in the annals of the industry. There is nothing intrinsically wrong with it. All the statistical evidence goes to show that it made substantial progress during the year. Production increased phenomenally and exports of Jute manufactures were higher than even during the peak year of 1929-30; but the value per ton declined further from 308 in 1935-36 to 285 in 1936-37.

Annual Production (*1st July to 30th June.*)

(Figures issued by Government of India).

Year.	Cloth in lacs of yards.	Bags lacs of yards.	Total of all description 000's tons.	Annual Export from Br. India tons (000's).	Value per ton.
1932-33	10,329	6,034	907	685	319
1933-34	11,349	5,801	907	666	302
1934-35	11,833	6,337	967	713	313
1935-36	14,089	6,737	1,048	783	308
1936-37	18,780	7,601	1,254	1,021	285

Last January Indian Jute Mills' Association withdrew all restrictions and gave its members full liberty to frame their policies as to hours and machinery. The natural consequence was that all the mills started working 54 hours a week and some commenced double shift with the result that production of hessians amounted to 193 crores of yards in spite of the serious reduction in production owing to labour strike in the Spring of 1937. Fortunately at the time when production rose world trade showed improvement and demand from North America and other countries expanded considerably. The propsects for economic recovery were so bright that not only actual consumption of jute goods increased but the consumers and merchants everywhere increased their stocks in proportion to their increased turnover. After August, however, consumption in North America showed a declining trend with the resultant rise in floating stocks. Stock position in Calcutta mills was also disconcerting. Hessian

stocks were on the increase during Autumn when they normally declined, though this phenomenon was partly due to the fact that some mills were producing hessians even on sacking looms. The result was that prices of hessians declined further, 9 porters quoting Rs.316 per ton on the 15th December as against Rs.367 per ton on 15th July, 1937.

The consequence has been that the profit margin has been reduced to almost a vanishing point. Some of the old established mills with accumulated reserves are able to withstand the crisis whereas others are actually working at a loss.

Fortunately the position of the raw jute producers improved during the year. Exports were higher though prices were only 1 point higher than during the preceding year. Ultimately the lot of the agriculturist is bound up with the manufacturer of jute goods in India. So long as hessians are sold in world markets at unremunerative rates, the prices of raw jute cannot show any substantial improvement.

What are the prospects? Jute industry in India enjoys a monopolistic position. It can preserve this monopoly only through internal cohesion. Internal competition and the failure of the producers to come to a commonsense agreement amongst themselves have brought the whole industry on the verge of a crisis. The main cause of this virtual debacle has been the attitude of the Non-Association mills and their stubborn refusal to co-operate in a reasonable system of rationalisation and price adjustment. The result has been that some among the Association Mills are unwilling to make any concessions and are determined to fight to the bitter end. It is, indeed, a melancholy spectacle to find a great industry dragged to the point of depression not from any extraneous and unavoidable cause but from jealousy and selfishness within the industry itself. There can be no prospect of a genuine revival until the internal dissensions cease. In general the interference of Government in industry is to be deprecated; but there are cases where it is in the common interest. That point appears to have been reached in regard to jute manufacture. It is, indeed, a case where the benevolent interference of Government would be justified and of advantage to share-holding public. Today the foreigner, and the foreigner alone, benefits from this lamentable confusion.

Iron and Steel Industry.—Iron and Steel industry in India took a great step forward during the past year. Since 1936 industrial production has increased in all centres, the greater part of it being concentrated in capital goods industries. Early in the year there was an acute scarcity in the supply of iron and prices advanced sharply. The index number of prices of pig iron " foundry No. 1 Tata Company " which stood at 108 in June 1936, (base: July 1914=100) rose to 121 in January 1937 and consistently advanced to 168 in August 1937 and remaind stationary thereat upto 30th November. Production of pig-iron for the ten months of 1937 was 1,364.50 (000's tons) as against 1,294.10 (000's tons) for the corresponding period of 1936. India benefited considerably by her exports of pig-iron to other countries. As a manufacturer of steel, too, India was in a happy position. The industry enjoys protection but during the past year foreign competition was considerably reduced as most of the steel manufacturing centres were engaged in meeting the indigenous requirements, which except probably in America, were largely swelled by rearmament. Production of steel ingots for ten months of 1937 amounted to 763.74 (000's tons) as against 725.75 (000's tons)

in 1936 and that of finished steel amounted to 560.55 (000's tons) as compared to 548.62 (000's tons) in 1936. The index number of prices of galvanized corrugated sheets rose from 121 in June 1936 (base: July 1914=100) to 150 in January 1937 and to 188 in March 1937. Thereafter there was a small decline to 179 in September but rose again to 185 in November 1937. Tata Iron and Steel Company have extended their works and a variety of steel manufactures which were hitherto imported will in future be produced by them. The Steel Corporation of Bengal was floated during the year and is expected to commence functioning after three years.

A large proportion of Indian iron and steel production is absorbed by internal requirements. Additional production consequent upon the erection of new plant will also find ready home market. So long as the external factors have remained favourable, the industry enjoyed a kind of sheltered prosperity. However, the conditions have changed. During the latter half of the year there was adequate supply of pig-iron. In contrast with conditions in the previous half, steel activity in America experienced a severe set-back and repercussions of this fact were felt in other centres. It is generally agreed that the revival of prosperity will depend on the sustained activity of capital goods industries. There are reports of a slackening activity in other centres as well. Naturally this has caused anxiety as to whether prices of steel manufactures will decline further. In November the British Iron and Steel Federation announced that the prices of the majority of steel products will be stabilised throughout 1938. It is uncertain whether the prices in all centres can be stabilised in a similar fashion. It is feared that American steel manufacturers may cut industrial steel prices and thus cause a decline in general price level. There is, however, no reason to take an unduly gloomy view of the situation. There may be a slackening of activity but the prices can be maintained at a reasonable level which will leave a comfortable margin of profit. Indian industry will, it is hoped, be able to withstand foreign competition effectively by consolidating its position.

Sugar Industry.—The sugar industry has been menaced with over-production for the past two years. The production of sugar direct from cane amounted to 1,128,900 tons during the season 1936-37 as against 932,100 tons during 1935-36 season. The total increase in the output of sugar was considerably higher amounting to 196,800 tons. The All India increase in the quantity of cane crushed and sugar manufactured was estimated at 21 per cent. and 24 per cent. respectively. This substantial increase in a single year was attributable to the longer duration of season owing to the impetus of the reduction of cane prices in the U.P. and Bihar in April 1937. 140 factories worked during 1936-37 season as against 137 in 1935-36 season.

Production of sugar directly from cane in modern factories in India.

Season.	No. of factories producing sugar direct from cane.	Cane crushed. Tons.	Sugar produced. Tons.
1932-33	57	3,350,231	290,177
1933-34	112	5,157,373	453,965
1934-35	130	6,672,030	578,115
1935-36	137	9,801,748	912,100
1936-37	140	11,873,780	1,128,900

The net imports of sugar into India were only 23,600 tons in 1936-37 as against 201,200 tons in 1935-36. This shows that India has become self-sufficient in the matter of supplies of sugar. In spite of larger production, the stock to be carried forward to the next season is estimated to be about 125,000 tons which is smaller by about 10,000 tons than the stock brought forward in 1936-37 season. This was due chiefly to an insignificant amount of imports. Further, there was a small increase in consumption and a reduction in the production of sugar by gur refineries and Khandsaries.

Further increase in production is likely to have a serious effect on the level of sugar prices. Several new factories are under erection and are projected for erection in the near future and the existing factories continue to make additions to their plants.

The average index number of sugar prices which stood at 119 in June 1936 (base: July 1914=100) rose to 124 in October and thereafter consistently declined to 110 in June 1937. Later it advanced to 113 in November 1937. Sugar prices during the past year remained depressed. Some of the old established and efficient companies were able to maintain their sales. However, the increase of the excise duty from Rs.1-5-0 to Rs.2-0-0 per cwt. took a big slice off the profit margin and many companies were compelled to reduce their dividends.

Prospects of the industry depend firstly on sugar-cane prices and secondly on the control of sugar sales by a central organization. It is reported that the area under cane cultivation in U.P. shows a decline. The Director of the Institute of Sugar Technology, however, estimates that the production of sugar from cane factories should show an increase of 50,000 tons to 75,000 tons over the last year, largely owing to the erection of additional plant. The legislation in Bihar and U.P. will affect the factories in their area in two respects, *viz.*, (1) sugar-cane prices and (2) marketing of sugar. The Bihar sugar control bill is designed to put the industry localised within that Province on a stable footing. The troubles of sugar industry, which have been aggravated by the imposition of higher excise duty, are so acute that it was imperative to devise adequate relief measures for the agriculturists. The bill provides for licensing of factories with a view to check further increase in production. Extension of plant will be permitted only in exceptional cases. The bill makes the membership of All India Sugar Syndicate compulsory for all concerns. But for the consequences to the cane-grower, such a measure setting up full and immediate governmental control over the industry would not have been prepared; the regulation of cane supply and fixing of minimum prices go much further than the Indian Sugar-cane Act of 1934.

A similar measure is already framed by the Government of the United Provinces and will be placed before the Provincial Legislature in the near future. In the meantime, the results of the Tariff Board inquiry are awaited with keen interest.

The export of surplus of Indian sugar is out of question since the ratification of the International Sugar Agreement by the Government of India precludes India from exporting sugar to any other country than Burma for the next five years. It was indeed surprising that Government gave such an undertaking before consulting the Indian Legislative Assembly. Dr. Meek, the delegate of the Government of India at the conference, made a statement of policy on behalf of his Government. He observed

" The Government of India are willing to co-operate in the efforts which are now being made to reach a general and effective agreement, and as a contribution, which I trust will be acknowledged as valuable, towards the present negotiations, I have been authorised to inform the conference that the Government of India are willing to offer to prohibit the export of sugar from India, by sea, elsewhere than to Burma for a period of 5 years " (Page 41 of the Report of the International Sugar Conference). The Indian Legislative Assembly refused to ratify the Agreement which was thereafter certified by the Governor-General. Indeed, in the Indo-British negotiations now in progress, there is a case for advancing a claim for Indian sugar.

Cement Industry.—The production of cement increased considerably during the year 1937, the average monthly production for nine months being 92,000 tons as against the average monthly production of 77,000 tons in 1936. The cement industry took a great step forward with the inauguration of the merger under the new Combine: Associated Cement Cos. Ltd. Indigenous requirements are now largely met from the local cement works. Imports of cement declined and amounted to 51,000 tons valued at Rs.19 lacs in 1936-37 as compared with 59,000 tons valued at Rs.22 lacs in 1935-36 and 67,000 tons valued at Rs.24 lacs in 1934-35. Owing to the remoteness of the manufacturing works, the Madras Presidency remains a principal market for imported cement. The Associated Cement Cos. Ltd., however, have projected to extend works at Coimbatore and erect a new factory near Bezwada which will meet the local requirements. New concerns have come into existence during 1937 and it is feared that competition may result in increased production which may bring about a fall in prices. There are no statistics available for building activity in this country, but it is known that new buildings are erected all over the country and demand from this source is likely to be maintained. Cement is also used for roads and other purposes. There is no fear of over-production. But prices may recede owing to competition. It is likely that imports of cement may increase, largely from England as building activity there is gradually falling-off. The Indian concerns must, therefore, reduce their cost of production in order to compete effectively with imported cement. Indian cement industry is well organized both on the productive as well as distributive sides, and it may be hoped that it will retain its hold over the home market.

Paper Industry.—The paper industry in India enjoys protection (under the bamboo paper industry Protection Act passed in 1932) which will remain in force till 31st March 1939. The industry has made good progress during the past two years, the average monthly production being 77,500 cwts. in 1936 and 80,500 cwts. for the ten months of the current year.

Imports of paper of all kinds during the financial year 1936-37 declined from 2,836,000 cwts. to 2,718,000 cwts. in quantity valued at Rs.2,62 lacs and Rs.2,46 lacs respectively. Imports of paper manufactures rose from 40,000 cwts. valued at Rs.15½ lacs to 41,000 cwts. valued at Rs.18 lacs. The United Kingdom was the principal supplier, consignments from that source being valued at Rs.11 lacs. The aggregate production in India amounted to 971,000 cwts. in 1936-37 as compared with 962,000 cwts. in 1935-36 and 892,000 cwts. in 1934-35. Imports of wood pulp chiefly for the use of Indian paper mills aggregated to 221,000 cwts. valued at Rs.15 lacs in 1936-37 as compared with 309,000 cwts. valued at Rs.20½ lacs in 1935-36. The Indian mills have been able to sell

their products and stocks at good rates. Prices have improved during the year 1937 and the earnings of the mills showed improvement. There are, however, three factors which will affect the position of the industry: (*i*) rise in the costs of materials, (*ii*) internal competition owing to erection of new mills and (*iii*) expiry of protection in March 1939.

So far, the rise in costs has been offset by improvement in prices. Competition of new mills will certainly be felt by the existing plants; but long established concerns have not much to fear as regards the sale of their output. There need be no fear of supply outrunning the demand. The uncertain factor is the question of protection. The Indian Tariff Board has commenced its inquiry into the affairs of Paper Industry. It is hoped that protection will be continued in view of the fact that the industry is yet in the stage of growth and must be allowed to attain maturity.

Tea Industry.—The year 1937 witnessed a steady recovery in the Tea industry. Indian production and exports of tea are regulated by the International agreement. The total production of tea in India in 1936-37 was estimated at 394 million lbs. almost the same as last year. The export quota for the year was fixed at 82½ per cent of the standard exports. The quota for exports to overseas markets from India for 1936-37 was fixed at 309 million lbs. as compared with 311 million lbs. in 1935-36 and 330 million lbs. in 1934-35, the actual exports amounting to 302 million lbs. as against 313 million lbs. in the preceding year. Though there was a decline in the volume of exports, the value recorded an improvement from Rs.19,82 lacs to Rs.20,04 lacs.

During 1937, the exports for the 11 months ending November amounted to 299 million lbs. (estimated; excluding direct exports from Burma but including exports from India) compared to 288 million lbs. during the corresponding period of 1936. The prices have steadily improved during the past year, the index number for average tea (July 1914=100) rose from 127 in December 1936 to 151 in August and later declined to 142 in November 1937. The International quota for the season ending 31st March 1938 is raised to 87½ per cent of the standard exports and it is reported that the quota for the year 1938-39 will be higher by approximately 41 million lbs. With the spread of recovery, tea consumption has increased and demand was well maintained throughout the year as the stock position in London revealed from month to month. Stocks at the end of December were 218 million lbs. as compared with 234 million lbs. on the same date last year.

The rise in prices and the increase in production resulting in a lowering of the cost of production have strengthened the financial position of the tea companies whose resources were considerably depleted during the depression. The tea industry is very well organised and the efforts of the International Tea Market Expansion Board have to a large extent met with success. Fortunately internal demand has also shown improvement and the introduction of prohibition will tend to increase the consumption of tea in India.

Coal Industry.—Another industry, which after nearly 15 years, recovered during 1937, was the coal industry. During the depression, consumption of coal fell precipitously and with intensified competition prices fell heavily. The past year, however, saw steady improvement in demand and a resultant rise in prices. The factors which contributed to recovery were, firstly, general industrial

progress which was accelerated in 1936-37 ; secondly, carrying of increased stocks by consumers for fear of labour troubles ; thirdly, shortage of labour and finally increase in exports. Production of coal during the 11 months of 1937 amounted to 20,017 thousand tons compared to 18,882 thousand tons during the corresponding period in 1936. Exports of coal for the 11 months of 1937 aggregated 75,079 thousand tons as against 17,186 thousand tons in the previous year. There is a limited market for exports of Indian coal, Ceylon and Far Eastern Countries being the main consumers. The sharp rise in exports in the past year was due to Japan's engagement in war with China and secondly to the prohibition of export of coal by the Union of South Africa except under license. With increased internal demand and increased activity in export trade, the prices of Indian coal showed considerable improvement. The index number (base : July 1914=100) of Jheria Grade No. I which stood at 50 in December 1936 steadily advanced to 103 in June 1937 and rose to 109 in November. How long will the recovery conditions be maintained ? So long as the present industrial activity continues internal demand from this direction will remain unabated. But recently the Railway Board announced its decision to increase its purchases from railway collieries during the current year. Probably this decision was taken in view of the fact that if the harvest is as good as last year, there may be shortage of miners, which may result into general shortage of coal supply. If the Board fully implements its decision, the result will be over-production. Moreover, the Union of South Africa recently lifted the ban on export of coal which may reduce Indian exports. It is therefore hoped that the Railways will continue to buy a large portion of their requirements from the Indian coal producers.

Political.—The year saw the coming into operation of the Government of India Act, setting up autonomous and responsible government in the Provinces and aiming at the establishment of a Federal Government, embracing the Indian States, at the Centre. At the elections held under the Act, the Indian National Congress secured working majorities in six of the Provinces ; but at first were reluctant to accept Ministerial responsibility, fearing an interference through the use of the Governors' Special Powers which would hamper their activities. Whilst therefore working Ministries functioned in the Punjab, Bengal and the North-West Frontier Province, elsewhere interim Ministries were established. Full discussion of the implications of the Act afterwards removed the apprehensions of the potential Congress Ministries ; they accepted office and the Act was in full operation throughout all the Provinces by the latter part of the year.

It would be idle to deny that some apprehension was felt at the advent of these new Ministries, especially in view of the very wide promises made to the electors during the Congress campaign. But when the Ministries got to work, and it was found that they proposed no revolutionary measures, confidence was in a very large degree restored. Especially when it became evident that the Ministries were firm in their determination to maintain law and order. An immediate effect of the arrival of responsible government in the Provinces was a marked improvement in the political atmosphere. Although the outlook is viewed with some anxiety, generally it may be said that in regard to the Provincial governments the feeling is one of substantial confidence. No visible progress has been made with the scheme to establish a Federal Government, embracing the Indian States, and with a responsibility accompanied by safeguards at the Centre ; it is understood that discussions for the accession of the Indian States are continuously proceeding.

Money.—There were definite signs of a revival in trade towards the end of 1936 and there was a greater demand for short term funds for trade purposes. This movement was accelerated during the first half of 1937 since all factors conducive to higher money rates were fully operative. Commodity prices advanced sharply; the volume of internal trade increased and the turnover of international exchange of goods was considerably higher. Share and stock values witnessed spectacular advances. The activity in the capital market reached its zenith, there being numerous new flotations all over India. The table appended below shows the trend of registration of Joint Stock Companies in recent years:—

Years.	Companies registered.		Aggregate authorised capital		Average authorised capital per company. (000's rupees).
	Number.	Index of registration. Base: 1913-14 = 100.	Amount. (000's rupees)	Index of aggregate of authorised capital. Base: 1913-14 = 100.	
1913-14 (Pre-war) ..	356	100	66,91,53	100	18,79
1930-31 ,, ..	731	205	21,55,62	32	2,95
1931-32 ,, ..	768	216	29,97,60	45	3,90
1932-33 ,, ..	1247	350	30,99,88	46	2,49
1933-34 ,, ..	885	249	56,54,91	85	6,39
1934-35 ,, ..	965	271	42,20,14	63	4,37
1935-36 ,, ..	1027	288	51,36,44	77	5,00
1936-37 ,, ..	1210	340	1,10,50,29	165	9,13
1937-38 Apr.-Sept. (Burma excluded)	493	....	31,14,16	....	....

The following is the classification of the 493 companies registered during April to September 1937 as against 557 companies in the corresponding period of 1936 :

Description.	No. of Companies registered.		Authorised capital. (000's rupees.)		Distribution according to Provinces.				
					Provinces.	Number of Companies.		Authorised capital. (000's rupees).	
	1937	1936	1937	1936		1937	1936	1937	1936
Trading and Manufacturing ..	277	204	21,77,10	20,45,71					
Banking, Loan and Insurance	52	116	2,52,37	27,39,55	Madras ..	100	95	3,10,57	2,28,91
Mills and Presses	28	40	1,55,98	3,25,17	Bombay ..	65	71	2,66,22	20,61,86
Hotels, Theatres and Entertainments	44	38	91,03	1,13,82	Bengal	125	162	13,81,85	11,55,00
Transit and Transport ..	30	19	90,62	13,53,87	Punjab ..	67	82	1,08,88	29,66,81
Estate, Land and Building ..	11	16	47,54	1,35,79	U. P.	24	39	69.03	1,51,21
Tea and Other Planting Companies	17	11	1,40,50	45,15	Others ..	112	108	9,77,61	3,25,09
Sugar	5	10	80,30	96,00					
Mining and Quarrying	19	6	68,60	23,00	Total ..	493	557	31,14,16	68,88,88
Other Companies	10	7	10,12	10,82					

It may be pointed out that out of 843 companies registered from January to September 1937 with a total paid up capital of Rs.6,54,000, 442 companies were floated in the first four months with a paid up capital of Rs.3,31,000. In addition, fresh capital to the tune of Rs. 3½ crores was issued by the existing companies during the same period.

So keen was the demand for short term funds upto April, that currency was expanded to the tune of Rs.8 crores during this period, largely against the transfer of sterling securities to the issue department. This incidentally helped to counterbalance the deflationery movement caused by the

large purchase of sterling effected by Government in the open market. With a view to relieve the credit situation, the Reserve Bank was steadily buying securities, thus releasing extra funds to the market. Notes on active circulation reached the high figure of Rs.208.29 crores on 26th February as compared with Rs.194.90 crores on the corresponding date last year. There was a progressive outflow of silver coins which dropped from Rs.64.76 crores at the opening to Rs.54.59 crores on 14th May. The deposits of the scheduled banks with the Reserve Bank shrank to the average level of Rs.25.76 crores as against last year's average of Rs.30.73 crores.

Government were able to borrow Treasury Bills at half per cent. after the first quarter in 1936, but they had to pay fully 1 per cent. right upto the end of June 1937. Day to day loans were quoted at about 1½ per cent. upto end of July, whereas these could be had at ¼ to ½ per cent. after the end of the first quarter in 1936. The advance rate of the Imperial Bank on loans over Rs. 5 lacs was raised to 2½ per cent. on several occasions in 1937, although it was rarely over 1¾ per cent. in the past year.

In the second half of the year not only was the upward movement checked, but there was a complete reversal of the situation. The world conditions were fast deteriorating; commodity prices were declining; the volume of internal and international trade was on the downward grade and there was a slump in stock and share values. There was a redundance of currency; the notes with the Banking department of the Reserve Bank increased from the low level of Rs.14½ crores on 4th June to Rs.32 crores towards the end of the year. The notes in circulation dwindled from Rs.190.14 crores to Rs. 175.83 crores at the end of November and silver coin increased from Rs. 54.59 crores in May to Rs.62.66 crores toward the end of the year. Banks' deposits with the Reserve Bank increased to Rs.38½ crores on 20th August with a gradual decline to Rs.20.16 crores towards the end of the year. Call money rate declined to ½ to ¾ per cent. and stood at this level throughout the latter part of the year. The return on Treasury Bills was lowered and touched the low of Rs.0-6-11 per cent. on 20th August. In fact the conditions were similar to those obtaining in 1936 and there was once again a plethora of short term funds.

Gilt-edged.—The international political situation affected adversely gilt-edged in a far greater degree in 1937 than in 1936, since the counteracting factor of cheap money was comparatively less operative during the first half of the year. The world wide economic recovery affected beneficially Indian trade and commerce, causing an improved demand for funds. The boom in industry with resultant high prices for shares caused considerable lock up of floating supply of money in this direction. The Indian gilt-edged market was therefore more vulnerable to political influences.

During the second half of the year, however, Indian gilt-edged disregarded the adverse influence of international politics, the dominant factor being the monetary situation. While political conditions in Europe and other parts play an important part in the movement of foreign funds in the London market, they hardly ever affect the Indian market as such, there being little or no interest of foreign investor in Indian gilt-edged.

With the fall in commodity prices commencing in the middle of the year and the consequent slump in share values the monetary situation eased and there was an abundant supply of funds seeking investment. The Government of India floated no fresh loan during 1937. The annual accrual of savings which are earmarked for investment in gilt-edged are estimated at about Rs.20 crores and these had to seek investment in old securities. Later in the year the newly formed Provincial Governments issued loans aggregating Rs.4.60 crores, and this helped to alleviate to some degree the pressure in the gilt-edged market. Some loans were also issued by Public Bodies including Rs.1½ crores by the Howrah Bridge Commissioners. The average rate of interest on all these loans of fairly long maturity extending to 30 years in most cases was 3 per cent., which must be regarded as a sure sign of implicit confidence in Indian securities.

Owing to political disturbances in Europe at the beginning of the year, the price of 3½ per cent. Indian sterling stock dropped from £99 to £93½ by the end of January and the quotation for 3½ per cent. Rupee Paper declined from over Rs.100 to Rs.95-14. 3½ per cent. Rupee Paper was thus quoted about 2¼ per cent. higher than 3½ per cent. India sterling stock, although in the past the latter always stood at a premium in term of the rupee paper. Other redeemable but long term loans also suffered a sharp fall, but the near dated were maintained.

There was a temporary improvement in sentiment following Herr Hitler's pacific speech early in February and prices advanced somewhat. In the middle of the month, however, there was a sharp fall, following the announcement by the Chancellor of the Exchequer in London of the £400 million expenditure on re-armament through borrowing spread over a period of 5 years. As a consequence 3½ per cent. India sterling stock declined to £90 and 3½ per cent. Rupee Paper to Rs.94-4-0—a gap of 4¼ per cent.

There was a temporary recovery at these levels on bear covering, but market soon resumed its downward trend by mid-March. 3½ per cent. India stock declined to £88½ and 3½ per cent. Rupee Paper to Rs.91-4. Thereafter fluctuations were narrow, but the tendency in the local market was upward. Barring the sentimental set-back caused by the announcement of the Defence Loan for £100 million in April, the price of 3½ per cent. Paper advanced continuously, reaching Rs.96-1 by the end of May, although 3½ per cent. India stock improved only fractionally to £91¾. Other long-term loans were also better in the local market at higher rates.

At this juncture the effect of cheap money was being felt and barring temporary reactions, prices advanced, 3½ per cent. Rupee Paper reaching Rs.98-7 by mid-August. 3½ per cent. Sterling Stock improved by 10 shillings to £92½. In August, however, trouble arose in the Far East which affected gilt-edged adversely and there was a small recession in rates particularly in irredeemable loans—3½ per cent. Rupee Paper declining to Rs.96-13 by mid-September.

Thereafter the market maintained a steady tone with progressive advance in quotations. 3½ per cent. Paper advanced to Rs.98-12 early in December and after small fluctuations was quoted at Rs.97-12 at the close. Other scrips were also well maintained and modest investment demand was in evidence. 3½ per cent. India Sterling Stock closed at £93½, *i.e.*, 5 points under 3½ per cent. Rupee Paper.

Sterling Exchange.—Despite the Tripartite agreement concluded last year with a view to iron out variations in exchanges, currency instability continued and foreign exchanges displayed fairly wide fluctuations. The franc was the weakest link in the chain and lacked confidence both of the French nation and the outside world. There was a continuous selling pressure in the franc from the beginning of the year, with the result that the franc had to be devalued twice during the course of the year, and was still vulnerable to bear attacks at the end. The Paris/London cross rate which was quoted at about 105 at the opening stood near about 150 at the close. The discount on three months forward was as high at 12 francs at one time, and even the average discount was hardly ever under 3 francs.

Variations in foreign exchanges, however, did not affect the course of rupee sterling exchange, which ruled steady throughout the year within the statutory limits. It is the changes in the sterling value of the rupee that are of any practical importance to India since Indian trade is adjusted through sterling; all public and private debts are incurred and repayable in sterling and the Government of India have to pay the Home Treasury charges in sterling. Unlike the past few years, there was no revival of the rupee ratio controversy during 1937 and in fact the market rate ruled nearer the upper point throughout the year.

The net balance in favour of India on merchandise and treasure amounted to Rs.56.76 crores which enabled the Government to buy large blocks of sterling particularly in the early part of the year with comparative ease at an average rate of a little over 1*s.* 6-$\frac{1}{32}$*d.* Against the budgetted Home requirements of £35.60 million, Government actually remitted £12,073,000 during the 9 months ending December. The conditions towards the end of the year were not nearly so favourable as in the earlier part owing to paucity of merchandise export bills and reduced exports of gold. Accordingly, if the maintenance of stability of the rupee is desired, it will be necessary, having regard to the above conditions, to keep an eye on the merchandise balance of trade for meeting the Home Treasury requirements and other invisible items which do not enter the ordinary trade channels.

Gold.—The U.S.A. dollar, the only currency on the gold standard and therefore the most effective barometer for the price of gold, moved within a comparatively narrow range, but the apprehensions regarding the continuance of its present parity with gold caused sharp fluctuations in the price of the metal in world markets in the first half of the year. The basis for this fear, though unfounded, is the continued increase in the production of the metal caused by the higher prices obtained for gold as a result of devaluation of currencies. While the supply of the metal has increased, the demand is unchanged except that the process of accumulation by a few Reserve and Central institutions is further accentuated. India, one of the largest customers of precious metals, has been a seller of gold since the abandonment of the gold standard by Great Britain and the purchases of the metal by private individuals in several important countries have been hedged with restrictions. The following table showing the monetary reserves of the Banks of some of the important countries in the past 5 years should form an interesting study of the whole problem.

Notes in Circulation and Gold Reserves.

(end of the year figures.) *(in millions.)*

Central Banks of important Countries.		1933		1934		1935		1936		1937	
		Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.
Bank of England ..	£	391.9	191.6	394	192	412	200	467	314	505	327
Bank of France ..	Fcs.	82,613	77,098	83,412	82,124	81,151	66,296	89,342	60,358	93,837	58,933
Swiss National Bank.	S. Fcs.	1,466	1,998	1,440	1,909	1,366	1,388	1,482	2,709	1,530	2,679
Netherlands Bank ..	Fls.	911	922	912	842	809	662	792	737	868	1,382
Bank of Sweden ..	Kr.	647	259	708	285	785	407	893	459	980	470
Bank of Denmark ..	Kr.	343	133	386	133	383	118	398	118	417	118
U. S. Federal Reserve Bank	$	3,080	3,568	3,215	5,124	3,709	7,835	4,278	9,112	4,283	9,120
Reichsbank(Germany)	R.M.	3,645	386	3,900	79	4,285	82	4,980	66	5,492	70
Bank of Japan ..	Yen.	1,140	425	1,205	465	1,766	533	1,789	578	1,864	837

Large shipments of gold were made to the U.S.A. and in order to counteract the inflationery process resulting therefrom, the U.S.A. Treasury has to exclude large blocks of gold thus shipped from the monetary reserves of the country and these were put aside and virtually "sterilised." It was rumoured that the U.S.A. Treasury contemplated to reduce the internal price of gold in order to discourage the superfluous flow of gold into its coffers. This led to a scare in the gold market in London and there was considerable selling pressure in April resulting into a sharp decline in the spot price of gold. The fears were gradually allayed by repeated denials from the U.S.A. Treasury and the British Equalisation Fund bought the gold offered in the open market freely. During the latter part of the year, gold was comparatively stable in London and was at times quoted well above the dollar arbitrage parity. The premium varied between 16*d* and 3½*d* per ounce, but the spot price of gold in the London market was practically unchanged near seven pounds per ounce, through the manipulations of the Equalisation Fund.

Movements in the local gold market followed closely the fluctuations in the price of the metal in the London market. The tendency was upward during the first quarter and the price of spot gold gradually moved up from Rs.35 to Rs.35-7 per tola. In the first week of April rumours regarding the possible change in the American official price of gold gained currency and the price of spot gold in Bombay dropped to Rs.34/2 by the end of the month. On denial of rumours by the American authorities and the rigid intervention of the British Equalisation Fund in the London market, the price of gold advanced sharply to Rs.34-12-9 early in May. But the tone was still hesitant since rumours occasionally found their way in the market and the price of spot gold moved between Rs.34-14 and Rs.34-7 upto the end of June. During the latter half of the year, the market maintained a steady tone and the price of spot ranged between Rs.34-8 and Rs.34-10 per tola.

Total exports of gold (bullion and coin) during the year amounted to 1,971,126 fine ounces valued at Rs.18.28 crores against 3,578,117 fine ounces valued at Rs.33.16 crores in 1936.

Silver.—The American silver policy was of little consequence in influencing the day to day fluctuations in the world price of the metal for major part of the year. Supply and demand in the London market determined the variations in prices which consequently were comparatively small. The U.S.A.Treasury continued purchases of the domestically mined silver at the special price of 77·57 cents and in addition absorbed bulk of the Mexican mine and demonetised Chinese silver. India, on the other hand, purchased a large quantity during the first quarter and carried a fair overbought position in the London market almost throughout. Towards the end of the year, doubts were raised as to the continuance of the 1932 International Silver Agreement due to expire on 31st December 1937.

Moreover, in view of the reported apathetic attitude of some of the American Treasury officials and others towards the continuance of the silver purchase policy, it was considered probable that the U.S.A. Treasury may make some changes in the existing programme at the end of the year, resulting in a depreciation in the world price of the metal. Furthermore, large shipments of Chinese silver coins were made to London since the outbreak of the Sino-Japanese conflict in the latter half of the year and it was feared that a part of it at least may be thrown on the London market for sale which was bound to react adversely on the price of the metal owing to comparative absence of buyers. Accordingly the markets were nervous during December and prices gave way under heavy selling pressure both in London and in the Bombay markets. The average price of spot silver in London during the first eleven months was 20.18d per ounce, the highest being 21½d (6-4-37) and the lowest 19⅜d (30-8-37), but during December the price of spot fluctuated between 19-11/16d and 18-3/16d and two months forward between 19-9/16d and 18-1/16d per ounce standard. In the Bombay market the fluctuations corresponded with those in London, the average price of spot being Rs.51-11-2 in the first eleven months, the highest being Rs.55-15-6 (6-4-37) and the lowest Rs.48-14-6 (27-8-37), while in December, the price of ready ranged between Rs.50/- and Rs.46-1-6 per 100 tolas.

As expected the International Silver Agreement was not renewed and the U.S.A. Treasury made some changes in the silver policy at the end of the year. The price of domestic silver was reduced from 77·57 cents. to 64·64 cents. per ounce, leaving the outside purchase price of 45 cents. unchanged. Contracts for the purchase of Mexican and Canadian silver were renewed with slight modifications as to quantity, while the conditions for the purchase of the Chinese silver were left unchanged.

The outlook for silver is uncertain, depending upon the continuance of the American programme. The American Treasury acquired a total of 312,205,000 ounces in 1937 divided into the following classifications : from domestic scrap silver 35,000 ozs., from domestic newly mined 70,625,000 ozs. and from open market purchases 241,545,000 ounces. The total acquisition of silver by the U. S. A. Treasury since the passage of the Silver Purchase Act of 1934 aggregates 1,528,000,000 ounces.

Under the Silver Purchase Act, the Treasury still needs to acquire 1,538 million dollars worth of silver in order to comply with the fixed ratio. Under the existing arrangements, bulk of the annual world production is contracted to be bought by the U.S.A. Treasury leaving only a small percentage for the open markets. India is a potential buyer of silver at lower levels and the industrial use of the metal is unabated. Owing to the heavy drop in the price of all base metals, it is expected that the production of silver as a bi-product will fall proportionately. There is thus only one large source of visible supply of silver, namely Chinese demonetised silver. Here too, the arrangement, for exchange of silver against gold or dollar funds is renewed ; and this removes the possibility of Chinese silver being offered in the open market.

All this suggests to the fact that U. S. A. Treasury are likely to continue their present purchase policy, and the objectives of the Silver Purchase Act of 1934 may be fulfilled with much greater ease than is generally imagined.

The local market was steady at the opening around Rs.52 and there was good demand for the metal necessitating large shipments from London. Stocks were gradually mounting and aggregating

30,000 bars by the end of January. The usual pre-Budget activity characterised the local market throughout February and prices fluctuated widely. There was a gradual widening of the premium on ready on rumours of a possible increase in the import duty on silver. The premium on ready increased to as much as Rs.1/14 per 100 tolas towards the end of February. The price, however, declined gradually on easier London advices and ranged near Rs.50. The offtake increased to about 240 bars a day by the end of February and stocks amounted to 30,000 bars.

An increase of one anna per ounce, equal to Rs.2–5–6 per 100 tolas was announced by the Finance Member in his Budget speech on 27th February. The market assumed a steady tone and the price improved sharply touching Rs.56 in early April. Stocks had mounted up to 35,000 bars, but the offtake was gradually declining, averaging about 70 bars early in April.

There was a natural reaction at higher level and a sharp decline occurred in the price to Rs.53 for ready in the 2nd week of April. Thereafter the rate fluctuated within a narrow range upto the first half of June. At this juncture, it was reported from New York that 71 economists of the U. S. A. had issued a statement denouncing the Silver Purchase programme. This caused considerable tired liquidation and prices dropped, spot silver quoting at Rs.51-9 at the end of the month. Stocks, on the other hand, had been gradually declining in absence of fresh arrivals and were estimated at about 24,500 bars, while the offtake averaged about 75 bars a day.

Throughout July and August the market was comparatively dull with narrow price fluctuations. Towards the end of August it was reported that 180 million dollars worth of silver was transferred from the interior of China to Hongkong probably for disposal in the world market and this caused a nervous feeling both in Bombay and in London, and under selling pressure, the price declined to Rs.48-12, recovering later to Rs.50-1 by the end of the month. Since, however, it was later found that the Chinese silver was sent to Hongkong for safety, the sentiment of the market improved and prices recovered. Ready rose to Rs.51-8 by the middle of September. Thereafter the market maintained a steady tone right upto end of November. Stocks in the meantime had declined to about 16,000 bars since there were no fresh arrivals and the daily average offtake also receded to about 65 to 70 bars.

After a long period of stable conditions, silver developed weakness during the first week of December following varying reports regarding the future of silver. The termination of the International silver agreement and the possibility of a change in the American policy were the contributory factors. There was considerable liquidation on the part of tired holders and short selling by bears with the result that the price of ready in the local market dropped to Rs.46-2 in the first week with a corresponding fall in the London market. There were erratic movements throughout the month following varying rumours regarding the American attitude on the future policy of silver. At lower levels, however, there was very good offtake of ready silver, which at one time reached the record level of 250 bars a day. Stocks were gradually declining and were estimated at about 8,000 bars at the end of the year. The market closed with an uncertain tone, awaiting the statement of the American Treasury on their future programme.

The total imports of silver bullion excluding re-exports amounted to 53,348,372, st. ozs. valued at Rs.6·62 crores as against 109,236,314 st. ozs., valued at Rs.13·32 crores in 1936.

Shares :—Following the lead given by the general revival in trade and resultant higher commodity prices, share values advanced in all sections and in all markets. The acceleration of the re-armament programme in many important countries gave additional fillip to the markets, particularly for shares of heavy metals and the like during the first half of 1937.

Although usually, the price of shares are considered as true indices to the revival of respective industries, the past year witnessed such wide fluctuations in Stock Exchange values that it is indeed difficult to take them as a guide to industrial and commercial activity during the year.

In the first quarter business confidence was so robust that share values attained peak levels. Towards the end, the confidence gave way to a distinct feeling of pessimism and the share values registered a decline from 30 to 40 per cent. In both cases prices were not based upon the intrinsic position of respective industries, but reflected, nonetheless, the forward looking anticipations of the investors and speculators.

Indian industries which had shown rapid signs of recovery since the past two or three years, consolidated their position further during the first quarter of 1937. There was a very sharp rise in prices of all industrial shares and buyers predominated specially in steel and heavy industries. Tata Iron and Steel Co. shares, which had been popular with investors and speculators since 1934, witnessed an unprecedented rise from the beginning of the New Year. Ordys. advancing to Rs.455 and Defds. to Rs.2,290 (17th March) from the closing level of Rs.247 and Rs.950 respectively. In the wake of steel shares, a general rise in values followed and cotton mill shares which had lacked enthusiasm in the past few years also came into limelight. Bombay Dyeings, the best representative of the cotton mill group advanced from Rs.828-12 to Rs.1,117-8 by mid-March.

Speculation in commodities and shares had by now reached giddy heights and this brought a note of warning from President Roosevelt in April, which was followed by the unfounded "gold scare". On top of this came the announcement of the original National Defence Contribution in the British Budget. All these events coming in quick, succession on a highly vulnerable market brought about a collapse in commodity prices. Trade began to show signs of recession; initial optimism regarding the re-armament programme began to fade, and by August a pessimistic feeling was prevalent. Speculators had burnt their fingers badly and they kept aloof from the market. Tata Iron and Steel shares which had touched the high record levels in March fell sharply and inside of one month practically the whole of the gain was wiped out. Tata Ordys. touched Rs.300 and Defds. Rs.1,310 on 29th of April. Although there was an all round recession steel shares suffered the most. At lower levels there was a natural reaction and prices improved. Tata Ordys. to Rs.361 and Defds. to Rs.1,697-8 on 21st of May. Thereafter the market moved within a comparatively narrow range till about the end of September. From October, the American figures showed a large shrinkage in industrial activity and the repurcussions of this began to be felt in other markets. By the end of the year the upward trend was almost completely reversed and doubts arose as to whether trade was not definitely on the down grade.

Steel and heavy industrial shares declined again, Tata Ordys. reaching the low record of Rs.249 and Defds. of Rs.1,110 at the close of the year. Cotton mill shares, on the other

hand, held their own largely owing to lessening of Japanese competition and the consequent good demand for local manufactures. Bombay Dyeings were maintained around Rs.1,000. There was, however, some uncertainty regarding the future course of the cotton mill industry at the end owing to reports of labour unrest. It is, however, hoped that same conciliatory course will be recommended by the Labour Committee appointed by the Government of Bombay, now in sitting, and found acceptable to the Millowners and the labour.

The tone of the market at the end of the year is uncertain and depends largely upon advices from outside markets, particularly American. The intrinsic position of all the Indian industries is sound and they are well equipped to take immediate advantage of any revival in trade.

Trade of Bombay.

The Port and the City of Bombay had their share in the general recovery of Trade in India, and the cotton mills, the mainstay of the City, benefited the most. But for the apprehension of labour trouble, the industry would appear to be on the threshold of recovery. Although the number of mills working decreased from 74 in August 1936 to 69 in the same period of 1937, the average number of spindles and looms at work daily increased, the former from 2,305, 970 in 1936 to 2,322,151 in 1937 and the latter from 57,783 to 58,978 in 1937.

The aggregate value of the foreign trade of Bombay in merchandise amounted to Rs.114·36 crores in 1937 as against Rs.87·46 crores in 1936. The export and import of treasure, on the other hand, showed a marked change. Exports of gold amounted to Rs.18·26 crores in 1937 as compared with Rs.33 .16 crores in 1936, Rs.49.05 crores in 1935, and Rs.62 .80 crores in 1934. Imports of silver bullion diminished from Rs.13⅓ crores in 1936 to Rs.6 .64 crores in 1937. The total tonnage of outward shipment cleared from the Port of Bombay was 2,457,158 tons in 1937, as against 2,584,196 in 1936 and 2,590,051 tons in 1935. The trade statistic of the Port of Bombay during 1937 at Rs.45.14 crores in merchandise exports show an improvement as compared with Rs.39.57 crores in 1936 and 31.10 crores in 1935.

Outlook.

Usual optimism manifest in the new year is in 1938 tempered all over the world by sober thoughts regarding the further development of the international political situation and the prospects of economic recovery. We have experienced many disturbing political events and extremes of financial and business activity. The civil war in Spain drags on and the Sino-Japanese conflict continues though war has not been officially declared. The Totalitarian States, with their militaristic policies, loom uncertain factors over Europe. It is, in such circumstances, impossible to anticipate what the political future has in store for us.

In the economic sphere, the situation is indeed enigmatic. Reports about the business activity in leading countries during the last quarter of 1937 indicate that there are signs of a general slackening. World industrial production has shown a sagging tendency and stocks of industrial raw materials are rising. International trade has displayed a downward trend and the prices of primary products have declined further. The Economist Index of the prices of primary products fell from 156.2 (September 18, 1931=100) on October 20th to 146.7 on December 15th. Business confidence suffered several rude shocks in the past year from which it has not yet recovered since the statistical evidence has confirmed the anticipations of the business

community about an unfavourable turn in the course of economic events. The governing factor has been the sharp recession in industrial activity in the United States. The New York Times Index of business activity fell from 104.7 during the week ended 25th September to 84.8 during the week ended 4th December. Fear of a general slump and a natural feeling of hesitancy are due to two reasons: firstly, America is a very important link in world economy and secondly, if prosperity is not revived in America the history of 1929, it is apprehended, may repeat itself with disastrous consequences to the world as a whole. Actually, despite the evidence of a recession, there are no indications of widespread deterioration. In Great Britain, a slowing down of activity is perceptible in certain directions, but there is no evidence of a general decline. Industrial activity in Scandinavia and Germany continues at a high level. Political confidence in France is reviving and industrial production is on the up-grade. In other countries, conditions are stable though feeling is undoubtedly hesitant. The great uncertain factor is the development in the economic situation in the United States. The sudden interruption in industrial activity in America is due to a gradual falling off in new orders in capital goods industries, and unless the obstacles in the way of capital investment are removed, business recovery will not take place. The recent measures which the American Administration have devised to put recovery on its feet again are likely to inspire confidence. There are indications that those who anticipate a general improvement in the American situation in Spring 1938 may prove right. Further, many important countries besides America, have not yet entered the advanced stage of recovery and it is reasonable to expect that industrial and business activity in such centres will remain on the up-grade for some time to come. Moreover, efforts to increase international trade and revive international lending will be renewed with a view to sustain production if national consumption in industrial countries shows signs of falling-off. A most welcome start in this direction was the recent announcement for the opening of official negotiations regarding Anglo-American trade agreement. The primary producing countries benefited a great deal by a rise in commodity prices in 1936-37 and their position as debtor countries has considerably improved. Revival of prosperity in America and an increase in international trade would cause an improvement in commodity prices.

If these developments take material shape, Indian trade will soon attain pre-depression level; exports of her staple products will again expand and her balance of trade will show surplus to meet her external obligations. Indian industries are in a sound condition, though they have their own difficulties. Cotton textile industry has attained full-blooded recovery and there is no reason why it should not hold its own during the current year. The jute industry is still in a state of confusion but reports are current that negotiations between the Association Mills and the 'outsiders' have commenced. There is no doubt that the growing agitation by Dundee jute manufacturers with their stock plea of 'Standard of living,' will make the Indian manufacturers realise the suicidal nature of internal competition and gear them into unity. Efforts are made with success to organise the sugar industry. Other industries are doing well but in order to meet foreign competition they will have to apply methods of rationalisation. The credit of the Government of India is as high as ever. Revenue returns have increased and Railways had a comparatively good year. There will be, therefore, no difficulty in making the subventions to Provincial Governments from the Centre, under the Niemeyer Award.

MONEY.

Money market opens firm.

For the last three months of the preceding year money was definitely more usable and towards the closing weeks of December a slight monetary stringency was in evidence. Call money rates advanced to 1½ to 2 per cent. owing chiefly, however, to demand for funds for year-end requirements.

Money in good demand.

Compared to the market conditions in the corresponding period of the last year, money was definitely in better demand during January. The factors which operated to maintain easy money conditions during the previous year had by no means ceased but their potency was diminishing. Exports of gold were on a reduced scale; the imports of silver were increasing and large finances were required to carry-over heavy stocks of the metal. Above all, export trade had during the preceding six months improved considerably with a general rise in commodity prices and with the setting in of the busy season demand from trade had substantially improved.

Easier conditions obtain.

The stringency experienced over the turn of the year, however, soon disappeared and the market was again in a comfortable position. In the second week of January call loans were available at about 1 per cent. The immediate contributory factor was the increase in the amount of sterling tenders from £1 million to £2 million, which released Rs.2.66 crores in the market every week. In addition, the market received Rs.2 crores per week from Treasury Bill maturities whereas from the 19th of January renewals were only Rs.1 crore. In accordance with the comfortable market situation the average rate of acceptance of Treasury Bills gradually declined from Rs.1-2-11 per cent. to Rs.1 per cent. at the end of January. Fixed deposit rates were maintained: 3 months were quoted at 1½ per cent. and six months at 1½ to 1¾ per cent.

Temporary firmness in money rates.

Early in February the coincidence of the monthly settlement of accounts in the local bullion and share markets temporarily created a brisk demand for call loans and the rate hardened to 1¾ per cent. Demand from trade was also good and in addition finances were required to carry-over large stocks of silver. However, after the settlements were over, the rate eased off and day-to-day loans were available at 1¼ per cent throughout. The market continued to receive every week Rs.2.66 crores against the sale of £2 million sterling to Government and Rs.2 crores through Treasury Bill maturities. The comfortable position of the market was indicated by a gradual falling off in the rate of Treasury Bill acceptance to about Rs.0-15-9 per cent.

Call loans freely available.

Except for a temporary spurt to 1¼ per cent. early in the second week of March, call loans were available throughout the first half of the month at ¾ per cent. The market received Rs.2 crores from Treasury Bill maturities against renewals amounting to Rs.1 crore. Government reduced the amount of sterling tenders from £2 million to £1 million from 10th March and accordingly the market thenceforth received Rs.1.33 crores weekly as proceeds from sale of £1 million sterling. Fixed deposit rates declined by ¼ per cent.: 3 months were quoted at 1¼ per cent. and 6 months 1½ per cent.

During the last week of March steadier conditions prevailed chiefly owing to withdrawal of funds by public bodies for payment of interest and disbursements prior to the close of the financial year. Call loans were in good demand and the rate firmed up to 2 per cent. The rates for time deposits were also slightly higher. Furthermore, the average rate of acceptance which had declined to Rs.0-15-1 per cent. in the middle of the month stood round Rs.1 per cent. at the close.

Money slightly steady.

Steady conditions prevailed during the first week of April and call money rates were maintained round 1¾ per cent. to 2 per cent. This was largely due to demands for funds in connection with the monthly settlement of accounts in bullion and share markets. Moreover, large finance was occupied by silver stocks in Bombay. Term money rates were a shade better at 1¾ per cent. for 3 months and 2¼ per cent. for 6 months. The average rate of acceptance of tenders for 3 months' Treasury Bills was Rs.1-0-11 per cent. as against Rs.1 per cent. in the preceding week.

Steady condition continues.

There was no relaxation in the monetary situation in the following week, and it was reported that several banks had resort to the Imperial Bank, who were lenders of day-to-day money at 1¾ per cent. In order probably to relieve this stringency, temporary though it was, Government increased the amount of sterling tenders from £1 million to £2 million from 21st of April.

Banks borrow from Imperial Bank.

Although this did not have an instantaneous effect, yet there was a definite easing of the situation in the last week of April and call loans were available at ¾ to 1 per cent. The market received about Rs.2½ crores weekly on account of sale of £2 million sterling to Government, while Treasury Bill renewals were offset by maturities. The average rate of acceptance of tenders of 3 months' Treasury Bills was 1 per cent. at the end as against Rs.1-1-6 per cent. the highest of the month. The fixed deposit rates also declined by ¼ per cent: 1 to 2 months were quoted at 1¼ per cent., 3 months at 1½ per cent. and 6 months at 2 per cent.

Situation eases.

In the beginning of May, money remained easy, call loans being available at ¾ per cent. The demand for funds was restricted. In the second week, however, demand for call loans was of a fair magnitude chiefly in connection with the monthly Stock Exchange settlement, which incidentally appeared a little heavier than usual. Day-to-day loans were placed at as high as 1½ per cent. This was, however, temporary and the usual trend was resumed in the subsequent week when the call money rate declined to ¾ per cent. Short-term credit was plentiful during the remainder of May except towards the end when money was slightly more usable and the call rate hardened at 1 per cent. Maturities of 3 months' Treasury Bills amounted every week to Rs.1 crore. These were offset by renewals of a like amount. The average rate of acceptance of tenders was almost unchanged at Re.1-0-0 per cent. Fixed deposit rates were also unchanged throughout: 3 months' quoting 1½ per cent. and 6 months 1¾ per cent.

Money remains easy.

Short-term credit plentiful.

There was no material change in the monetary situation in the opening week of June. In the third week, however, there was again a temporary spurt in the call money rate to 1½ per cent. This, however, proved temporary and once again, toward the close, call loans were available at ¾ per cent. Treasury Bill maturities which amounted every week to Rs.1 crore were offset by renewals of a like amount, there being little change in the average rate of acceptance. Fixed deposit rates were also unchanged at 1½ per cent. for 3 months and 1¾ per cent. for 6 months.

Temporary spurt in money market.

During the first half of July conditions in the market were unchanged, day-to-day loans being quoted at ¾ per cent. The demand from trade had fallen off and floating funds sought investment through the usual channel of 3 months' Treasury Bills. The pressure of funds was heavy and call money rates declined to 1½ per cent. in the third week and to 1¼ per cent. in the last week of the month. This easy trend of the money market was reflected in the rate of acceptance for Treasury Bills which declined from Rs.0-15-0 per cent. to Rs.0-12-0 per cent. at the end of July. Fixed deposit rates were also easier : 1¼ per cent. for 3 months and 1½ per cent. for 6 months.

Trade demand low and call loans unlendable.

There were few borrowers for short-term money in the beginning of August and the market was glutted with funds. In the second week of the month money was a little better in demand and call loans were quoted at ¾ per cent. The demand emanated from Calcutta in connection with the financing of jute exports. This was, however, a temporary spurt and the rate declined to ½ per cent. with few borrowers towards the close. The superabundance of funds was reflected in the persistent reduction of the average rate of acceptance of Treasury Bills from the opening rate of Rs.0-10-0 per cent. to Rs.0-6-11 per cent. in the third week of the month. With a view to relieve the glut of funds, Government raised the amount of tenders from Rs.1 crore to Rs.2 crores from the 24th of August. Fixed deposit rates also declined to ½ per cent. for 1 to 3 months and 1 per cent. for 6 months. There was a fractional improvement in the return on 3 months' Treasury Bills to Rs.0-7-7 per cent. during the last week of August, but there was no change in the call money rate.

Few borrowers.

Sharp decline in return on Treasury Bills.

The demand for money continued to be slack during the first half of September, call loans being available at ½ per cent. The only notable feature was a slow but consistent rise in the average rate of acceptance of 3 months' Treasury Bills from Rs.0-7-7 to Rs.0-10-11 per cent. during the month.

Slack demand for funds.

Throughout October there was no change in the monetary situation, day-to-day loans being freely available at ½ per cent. Demand for money was slack, though in the middle of the month, there was a slight improvement in the term money rates, 6 months being bid at 1¼ per cent. and 3 months at 1 per cent. In view of the approaching export season the amount of weekly tenders to Government for 3 months' Treasury Bills was reduced from Rs.2 crores to Rs.1 crore with effect from 18th of October 1937.

Demand continues slack.

The demand for cash before the 'Divali' holidays had no perceptible effect on call money rates and floating funds were available at ½ per cent. Nor was there any change in the term money rates. The reduction in the amount of Treasury Bill tenders had increased the pressure of funds in the market and the raising of the amount again to Rs.2 crores from 23rd November came as a welcome relief. Usually towards the end of November the demand for funds from up-country revives for financing of commodities for export, but this year it was slack partly owing to a slackening demand from outside markets for India's goods and partly owing to late crops. Consequently call money rates remained unchanged. Term money rates which usually tend to advance at this time of the year also remained stationary, 3 months being quoted at 1 per cent. and 4 to 6 months at 1¼ per cent. Accordingly there was no diminution in the volume of applications for Treasury Bills and Government were actuated by this phenomenon to reinstate the two crore figure after such a brief interval.

No seasonal inquiry for funds.

In the middle of December there was a slight improvement in demand and call funds were quoted at about ¾ per cent. The rates for term money were, however, unchanged. Before the close of the year there was some inquiry for funds for the usual year-end requirements, but it was not large enough to affect the money rates to any extent.

Slight steadiness in money rates.

GOVERNMENT BORROWINGS.

After the turn of the year, the supply of money was again plentiful and as usual, the floating funds sought an outlet through the short-term investment in three months' Treasury Bills. In the first week of January, applications amounted to Rs.223 lacs, of which Rs.2 crores were accepted at an average rate of Rs.1-2-11 per cent. per annum. The opening balance of Government deposits with the Reserve Bank of India was Rs.714 lacs. With the passing off of the monthly settlement of accounts in the Bullion and Share markets, money was easy in the next week and the week's tenders for three months' Treasury Bills were discounted at Rs.1-2-7 per cent. per annum. Maturities amounted to Rs.2 crores. Government borrowed Rs.3 crores from the Reserve Bank of India against Ways and Means Advances during this period. Government deposits with the Bank correspondingly rose to Rs.871 lacs.

Large applications for Treasury Bills.

Usually at this time of the year, revenue flows in at a faster pace and therefore Government curtailed the amount of their public borrowings. In accordance with the precedent of the last year, the amount of weekly tenders for Treasury Bills was reduced to Rs.1 crore with effect from January 19, 1937. Government repaid Rs.3 crores to the Reserve Bank of India in the subsequent week because they had ample funds on hand, the balance with the Reserve Bank of India being Rs.10,32 lacs at the time. Monetary ease coupled with a reduction in the amount of tenders made it possible for Government to borrow short-term funds at a progressively cheaper rate. The average rate of acceptance was reduced from Rs.1-2-7 to Rs.1-0-3 at the end of January. Meanwhile, Government deposits with the Bank further augmented to Rs.12,54 lacs towards the close of the month.

Weekly Tender amount curtailed.

Acceptance rate declines.

Early in February, there was good demand for funds mainly on account of the settlement of accounts in the local markets. Consequently, applications for Treasury Bills in the first week of the month were smaller at Rs.140 lacs, of which Rs.1 crore were accepted at an average rate of Rs.0-15-10 per cent. per annum. Maturities, on the other hand, amounted to Rs.2 crores.

Trade demand increases; Treasury Bill tenders decline.

Conditions in the money market continued steady during the subsequent two weeks and applications for three months' Treasury Bills barely exceeded the amount of tenders, despite the fact that maturities amounted every week to Rs.2 crores. The average rate of acceptance, however, was almost unchanged at Rs.1-0-0 per cent. per annum towards the close of the month. Government balance with the Bank at the end of February stood at Rs.16,60 lacs.

In the March perspective money was on the whole easy and in the first week, Treasury Bill tenders amounted to Rs.136 lacs, of which Rs.1 crore were accepted at an average rate of Rs.0-15-10 per cent. per annum. Maturities amounted to Rs.2 crores. In the following week, money was in demand owing to the incidence of the monthly Stock and Bullion Exchange settlements, but there was no material change in the rate of discount. The increase in demand for money being temporary, easy conditions prevailed during the remainder of the month. The supply of floating funds was plentiful and applications for Treasury Bills in the third week amounted to Rs.206 lacs, of which Rs.1 crore were accepted at Rs.0-15-11 per cent. per annum. Maturities amounted to Rs.2 crores. Towards the close of March, however, money was slightly dearer owing largely to withdrawal of funds by public bodies for payment of interest and other disbursements. Renewals were only Rs.1 crore against maturities amounting to Rs.2 crores. The average rate of acceptance was, however, higher at Rs.1 per cent. per annum.

Steady investment in Treasury Bills continues.

Throughout March and the beginning of April, cash position of the Government was amply comfortable. In the second week, however, the balance of Government deposits with the Reserve Bank declined to Rs.9,86 lacs, as compared with Rs.13,63 lacs in the previous week. Maturities amounted to Rs.2 crores every week against renewals of Rs.1 crore.

Government increased, again, the amount of sterling tenders from one to two million. Money was in good demand and the market experienced stringency. In consonance with the monetary situation, the average rate of acceptance of Treasury Bill tenders advanced from Rs.1 per cent. to Rs.1-1-11 per cent. per annum in the middle of April. Government borrowed Rs.2 crores against Ways and Means Advances at this time from the Reserve Bank of India. For the remainder of the month, however, money gradually became easy and towards the close call funds were available at ¾ per cent. Maturities were offset by renewals of Rs.1 crore, and the rate of discount of Treasury Bills eased off to Rs.1 per cent. per annum. Government repaid in full the outstanding of Rs.2 crores borrowed against Ways and Means Advances.

Slight improvement in acceptance rate.

Easy conditions prevailed in the money market and Government were able to get Rs.1 crore every week through the sale of three months' Treasury Bills. Demand for money was of a spasmodic character and consequently, Government were able to obtain the full amount of tender at a gradually declining average rate. This was Rs.1 per cent. in the beginning of May and with slight variations, declined to Rs.0-15-8 per cent. per annum towards the end of the month. Maturities which amounted to Rs.1 crore every week were offset by renewals of an equivalent amount. Government borrowed Rs.1 crore from the Reserve Bank of India against Ways and Means Advances in the middle of May and repaid the same towards the end of the month, reducing the balance under this head to nil.

Rs.1 crore accepted weekly.

There was no change in the money market during June and applications for three months' Treasury Bills amounted to Rs.1,83 lacs in the first week. Maturities amounted to Rs.1 crore. The average rate of acceptance was, however, slightly higher at Rs.0-15-11 per cent. per annum. But in the second week, the rate declined again to Rs.0-15-8, which remained unchanged throughout the remainder of June. Government obtained Rs.1 crore every week with ease. This was evidenced by the magnitude of the amount tendered every week, as well as by the declining trend in the average rate of acceptance which eased off from Rs.0-15-10 in the third week of June to Rs.0-15-0 per cent. per annum at the close.

Slight decrease in average acceptance rate.

In the first half of July, Government received Rs.1 crore weekly through three months' Treasury Bill tenders at an average rate of Rs.0-15-0 to Rs.0-14-8 per cent. per annum. Maturities offset the renewals. Government deposits with the Bank declined from Rs.12,62 lacs to Rs.9,70 lacs early in July. Government borrowed from the Reserve Bank of India Rs.3 crores against Ways and Means Advances in the second week. In the subsequent week, however, Rs.1 crore were repaid, thereby reducing the outstanding under this head to Rs.2 crores. During the remainder of the month, owing to extremely cheap money conditions, Government were able to receive Rs.1 crore each week through Treasury Bill tenders at advantageous rates. The average rate of acceptance declined from Rs.0-13-10 to Rs.0-12-0 per cent. per annum at the end of the month. Government repaid the entire outstanding amount to the Reserve Bank towards the end of the month. Government deposits stood at Rs.11,30 lacs at the end as against Rs.9,70 at the close of June.

Yield lowered further.

There was no change in the money market conditions in August and large applications were received for three months' Treasury Bills, of which only Rs.1 crore was accepted every week. The rate of acceptance further declined to Rs.0-10-0 in the first week. Maturities amounted to Rs.1 crore, which offset renewals of an equivalent amount. Government borrowed from the Reserve Bank of India Rs.1 crore against Ways and Means Advances probably for beginning of the month requirements. Tenders for three months' Treasury Bills were accepted at a very low average rate of Rs.0-6-11 per cent. per annum on the 17th of August. Government raised the amount of tenders from Rs.1 to Rs.2 crores from the 27th of August in order to offer an outlet for the surplus funds in the market. Consequently, in the last

Record low rate of acceptance reached.

week of August, the rate of acceptance slightly moved up to Rs.0-7-7 per cent. per annum. Government repaid Rs.1 crore to the Reserve Bank of India, thus reducing the outstanding balance to nil at the close of the month. Government deposits stood at Rs.10,44 lacs at the end of the month.

Gradual improvement in yield.

In the first half of September, Government received Rs.2 crores through Treasury Bill tenders, the average rate of acceptance having been gradually raised from Rs.0-7-7 to Rs.0-10-7 per cent. on the 14th of September. Government deposits at the Reserve Bank were ample for Ways and Means requirements during this period.

Average rate of acceptance improves further.

During the first half of October, Government were able to borrow through Treasury Bills Rs.2 crores at an average rate of Rs.0-11-0 per cent. per annum. Maturities amounted to Rs.1 crore every week. Early in October, Government deposits with the Bank amounted to Rs.16,41 lacs, but the balance was reduced to Rs.11,93 lacs in the second week, and by the middle of the month, it stood at Rs.10,91 lacs. At this time, Government reduced the amount of weekly tenders for Treasury Bills to Rs.1 crore with effect from 18th of October. Applications amounted to Rs.1 crore which were accepted at an average rate of Rs.0-12-0 per cent. per annum. Maturities amounted to Rs.1 crore. In the last week, the amount tendered was a little better, but the average rate of acceptance was a trifle higher at Rs.0-13-2 per cent. per annum. Government deposits at the Bank had, in the meantime, improved to Rs.11,33 lacs.

Government deposits decline.

Early in November, the balance of Government deposits with the Bank again declined to Rs.9,44 lacs, but the amount of tenders was unchanged at Rs.1 crore though the discount rate had risen to Rs.0-14-7 per cent. per annum. Maturities amounted to Rs.1 crore every week. Owing to pressure of funds, applications for Treasury Bills continued to be heavy. Moreover, Government deposits with the Reserve Bank of India had further declined to Rs.8,59 lacs. The amount of tenders was, therefore, enhanced from Rs.1 crore to Rs.2 crores from the 23rd of November. The average rate of acceptance thereupon declined to Rs.0-12-11 per cent. per annum. Government borrowed from the Reserve Bank of India Rs.2 crores against Ways and Means Advances during the week ended 19th November.

Large applications for Treasury Bills.

Government deposits improve.

Early in December, Government deposits improved to Rs.10,67 lacs and Government were able to borrow Rs.2 crores through Treasury Bills at an average rate of Rs.0-12-11 per cent. per annum, which offset maturities of an equivalent amount. Government repaid to the Reserve Bank of India Rs.2 crores, leaving a balance of Rs.1 crore. Government borrowed additional Rs. 3 crores from the Reserve Bank during the first half of December, but the deposits showed a fractional decline from Rs.8,40 lacs to Rs.8,31 lacs. Owing to the approach of the year-end, applications for Treasury Bill tenders were small and the average rate of acceptance rose to as high as Rs.1-0-7 per cent. per annum as against the rate of Rs.0-12-11 per cent. obtained in the previous week. Maturities amounted to Rs.2 crores every week.

Applications for Treasury Bills decrease.

GILT-EDGED SECURITIES.

The gilt-edged market opened quiet in the New Year and prices declined fractionally all round.

Market quiet at opening.

3½ per cent Rupee Paper after opening at Rs.100-9 declined to Rs.99-10 (8th). Short term bonds were in fair demand, but the medium term loans declined in sympathy. The decline was, however, of a seasonal nature, as surplus money found its way for the financing of crops. In the second week of January, the market ruled dull and prices tended to be easier with investors holding aloof on account of continued disturbances in Europe. 3½ per cent. India Sterling Stock showed the same trend, the quotation declining from £98¼ to £97⅞. The local market moved sympathetically and there was a proportionate decline in gilt-edged, 3½ per cent. Rupee Paper declining from Rs.99-10 to Rs.99-3 (14th).

Dull conditions continue.

Throughout the remainder of the month, the gilt-edged market displayed an easier tendency on reports of deterioration in the International political situation. The local market followed the movements in the London market, where 3½ per cent. India Sterling Stocks declined to £93½ and 3½ per cent. Rupee Paper in the local market to Rs.95-14 (29th). The fall in prices was precipitate in non-terminable and long dated ones. But there were sellers in all scrips at declining rates, and buyers held aloof. 3 per cent. 1951-54 loan gradually declined from Rs.103-9 to Rs.101-12, 4 per cent. 1960-70 loan from Rs.115-8 to Rs.113, 5 per cent. 1939-44 from Rs.108-14 to Rs.107-13 and 5 per cent. 1945-55 loan from Rs.121-5 to Rs.119-6.

Easier tendency on International political situation.

Buyers holding aloof.

Rapid fluctuations characterised the closing days of January. There was nervousness in the market following a further drop in gilt-edged stocks in the London market, and but for bear covering, the fall in prices might have been much larger. 3½ per cent. Rupee Paper declined only fractionally to Rs.95-14 and at that showed a premium of 2⅜ points over the London quotation.

Erratic movements.

In the first week of February, the market took a quick turn following the speech of Herr Hitler which was of a pacific nature and gilt-edged values advanced in the London market with beneficient influence on the local quotations. 3½ per cent. India Sterling Stocks advanced to £95¾ (4th) and 3½ per cent. Rupee Paper to Rs.98-10 (3rd). There was a proportionate improvement in prices of all scrips. 4 per cent. 1960-70 loan gained from Rs.113 to Rs.114 and 5 per cent. 1945-55 loan from Rs.119-6 to Rs.120-2.

Tone improves.

In the second week of February, there was, however, a relapse in the London gilt-edged market with a quieter tone. Prices showed a sagging tendency and the quotations in the local market exhibited a similar trend. 3½ per cent. India Sterling Stocks after receding from £95¾ to £94½ advanced to £94¾ and closed at £94⅜ (11th). 3½ per cent. Rupee Paper declined from Rs.98-5 (8th) to Rs.96-7 (12th), on general selling pressure. There was a sympathetic decline in all other stocks. The volume of turnover, however, was not large.

Rates relapse.

In the middle of the month the market developed a weak tendency following the announcement by the Chancellor of the Exchequer in London of the £400 million expenditure on re-armament through borrowing spread over a period of 5 years. Gilt-edged prices suffered a set-back, particularly the long-termed and irredeemable loans, with the result that 3½ per cent Rupee Paper in the local market fell to as low as Rs.94-8, but on general buying, however, the rate regained to Rs. 95-2 (16th). The nervous feeling in the market persisted and caused holders to liquidate and the rate for 3½ per cent Paper eased again to Rs.94-4 (19th). 3½ per cent India Sterling Stocks fell to £90 the same day. The technical situation of the market was, however, sound since the short position in the market appeared covered to some extent, because the budli difference on 3½ per cent Rupee Paper, which ranged between 3 to 4 annas during the past several months, narrowed down to 1 anna.

Market develops weakness.

In the closing week of February the gilt-edged ruled erratic following advices from London where misgivings about the success of the defence loan caused a sharp depreciation in quotations. 3½ per cent India Sterling Stock dropped further to £89½ (23rd). In consequence 3½ per cent Rupee Paper declined precipitately from Rs. 94-6 to Rs.92-8 (23rd). Towards the close the sentiment was slightly better, which coupled with bear covering caused a sharp improvement in values. 3½ per cent Rupee Paper advanced to Rs.95-8 (27th). 4 per cent 1960-70 loan after dropping from Rs.114 to as low as Rs.109-12 closed at Rs.111-12 ; and 5 per cent 1945-55 loan after receding from Rs.120-2 to Rs.117-8, improved to Rs.118-12.

Tone erratic.

Slightly better feeling prevails.

March saw some improvement in the tone of the market, but this proved to be temporary, and the market developed a sagging tendency again, firstly owing to absence of enquiry for investment and secondly in response to weaker advices from London. The price of 3½ per cent India Sterling Stock improved at the beginning to £92½ (1st) but receded to £90 (5th). In the local market 3½ per cent Rupee Paper sharply declined from Rs.95-5 to Rs.92-8, but on general buying the quotation improved to Rs.93-14 (5th). The weak trend continued in the second week of March when gilt-edged values suffered a sharp set-back. 3½ per cent India Sterling Stock in London declined from £90 to £88½ mid-week. At this level there was some resistance and the rate improved to £89, but closed again at £88½ (11th). 3½ per cent Rupee Paper fell to as low as Rs.91-4 (9th) but on bear covering reacted to Rs.92-9 (10th). The budli difference for 15 days carry-over was quoted at 8 annas (i.e. 12 per cent) and indicated heavy short sales in the market. In the subsequent week the market was quietly steady with intermittent recessions in prices induced by weaker advices from London. 3½ per cent India Sterling stock declined from £88½ to £87½ and the quotation for 3½ per cent Rupee Paper dropped to Rs.91-11 (15th). At this level there was considerable bear covering in the local market and 3½ per cent Rupee Paper improved to Rs. 94 (19th). The premium on spot Paper which rose to 8 annas in the previous week narrowed down to 2 annas.

Prices recede again.

Bear covering puts up prices.

The undertone of the market, however, was weak and prices tended downward in the last week of March. The complicated European situation was largely responsible for this condition though monetary position was a contributory factor. 3½ per cent

Undertone weak.

India Sterling Stock eased to £88½ and 3½ per cent Rupee Paper relapsed from Rs.93-7 to Rs.92-3, on the last day of the month. The turnover in the local market was moderate.

Better feeling, but turnover small.

April saw a slightly better feeling in the gilt-edged market and the downward trend in prices was arrested. 3½ per cent India Sterling Stock improved from £88¼ to £88½ and 3½ per cent Rupee Paper in the local market advanced from Rs.92-5 to Rs.93-4 (9th). The volume of turnover was, however, not large. Other stocks showed minor fluctuations in prices. Towards the middle of the next week a slightly easier tendency was manifest chiefly owing to lack of business. 3½ per cent Rupee Paper declined from Rs.93-4 to Rs.92-9 (13th), but later advanced to Rs.93 (16th). Prices of other scrips were unchanged.

Market turns better.

The market took a definite turn for the better in the third week of April mainly under the influence of the optimistic tone running through the Chancellor's speech on the British Budget. The quotations in the local market advanced substantially. 3½ per cent Rupee Paper improved by more than 2 per cent to Rs.95-5 (22nd) and 3½ per cent India Sterling Stock in London to £90. Other scrips locally showed marked improvement in prices. 3½ per cent 1947-50 loan advanced from Rs.105 to Rs.106 ; 4 per cent 1960-70 loan from Rs.110-8 to Rs.110-13 and 5 per cent 1945-55 loan gained from Rs. 118-15 to Rs.120-4.

Steady tone maintained.

In the last week of April gilt-edged were steady following advices from London where the announcement made by the British Treasury of a 2½ per cent Defence Loan for £100 million at 99 per cent was well received. 3½ per cent India Sterling Stock kept steady around £89¾ and 3½ per cent Rupee Paper was steady at Rs.95 (27th). Towards the close, however, owing to the debacle in the London and Paris Stock markets causing sharp declines in prices, the gilt-edged in London ruled easier and there was a sympathetic drop in prices in this market. 3½ per cent. Rupee Paper declined and closed at Rs.93-13. Other scrips showed minor fluctuations.

Prices decline sharply.

Tone improves.

In the May perspective the gilt-edged market ruled steady with a fractional improvement in quotations all round. The better tone prevailing in the stock market in London was responsible for the confident feeling in gilt-edged and was reflected favourably in the local market. 3½ per cent India Sterling Stock improved from £89½ to £90 and the price of 3½ per cent Rupee Paper advanced from Rs.93-13 to Rs.94-14 (5th). In the subsequent two weeks a steady tone was maintained and quotations showed minor variations. The turnover was restricted. 3½ per cent Rupee Paper ranged between Rs.94-6 and Rs.95-3. 4 per cent 1960-70 loan was almost unchanged at Rs.110-9 and 5 per cent 1945-55 loan at Rs.119-7. In the last week of May a firmer tone prevailed ; 3½ per cent Rupee Paper advanced sharply to Rs.96-1 (24th) and receding slightly to Rs.95-12 improved to Rs.96-2 (28th) but closed at Rs.96-1 on the last day. 3½ per cent India Sterling Stock, after maintaining a steady tone, firmed up during the last week to £91¾ (25th) and remained unchanged till the end of the month. 4 per cent 1960-70 loan finished at Rs.110-11 and 5 per cent 1945-55 loan at Rs.119-7.

Prices improve.

Prices decline following Spanish situation tangle.

Early in June the gilt-edged market developed a weak tendency following reports of a disquieting nature concerning the Spanish situation. As a result prices in the local market eased and 3½ per cent Rupee Paper dwindled to Rs.95-5 (1st). However, the announcement in the House of Commons by the Prime Minister that the National Defence Contribution Scheme was to be replaced by a simpler method, which was to bring to the Treasury the required revenue of £25 million, had a steadying influence. On this the rate for 3½ per cent Rupee Paper improved to Rs.95-10 (3rd).

Local market quiet.

Thereafter the market ruled quietly steady and fluctuations were confined to a narrow range. In the middle of the month, however, the local market developed a sagging tendency following London advices. 3½ per cent Rupee Paper declined from Rs.95-12 (11th) to Rs.95-4 (16th). The turnover was restricted and other scrips showed little variation in values. In the third week of June the market was steady in the earlier part and the quotation for 3½ per cent Rupee Paper ruled steady around Rs.95-9. On the 23rd, however, following weaker advices from London, where 3½ per cent India Sterling Stock showed a sharp decline of £1 to £89½, 3½ per cent Rupee Paper declined precipitately to Rs.94-12. The reported announcement regarding the issue of a loan for £10 million by the London County Council and the breakdown of the Spanish non-intervention committee were responsible for the break in the London gilt-edged values.

Fluctuations narrow.

In the last week of June, however, conditions in the gilt-edged market were quiet and fluctuations in prices were narrow. However, the announcement of the increase in the resources of the British Exchange Equalisation Fund from £200 to £550 million had a steadying influence on the gilt-edged market. 3½ per cent Rupee Paper closed steady at Rs.94-12 (30th). Other scrips showed no changes of consequence, 4 per cent 1960-70 loan closing at Rs.110-2 and 5 per cent 1945-55 loan at Rs.119-7.

Encouraging advices from London.

There was a slight improvement in gilt-edged values during the first week of July. 3½ per cent Rupee Paper opened at Rs.94-12 and advanced on bear covering to Rs.95-10 (9th). 3½ per cent India Sterling Stock gained from £89¾ to £90. Other scrips also showed a fractional improvement. The tone of the market was firm throughout the remainder of the month. Advices from the London market were encouraging and the contributory factor was the plethora of short term funds which sought investment in gilt-edged, even though the return thereon was pretty low. There was a fair demand for medium and long dated issues and prices showed consistent improvement. 3½ per cent Rupee Paper advanced from Rs.95-10 with intermittent reactions to Rs.96-11 (31st). 3½ per cent India Sterling Stock improved from £90 to £91½. Other scrips advanced sympathetically. 3 per cent 1951-54 loan rose from Rs. 101 to Rs.101-8, 3½ per cent 1947-50 loan from Rs.105-10 to Rs.106-12 and 4 per cent 1960-70 loan advancing from Rs.110-4 to Rs.111-12, reacted and closed at Rs.111-8. 5 per cent 1945-55 loan improved from Rs.119-7 to Rs.120.

The two factors which were responsible for the strength of the gilt-edged market, namely cheap money and the manifestly confident tone in the London market during the past month, caused further improvement in gilt-edged values during August. The demand for both short and long dated loans for investment was reviving. 3½ per cent India Sterling Stock advanced from £91½ to £92¼ (10th) and 3½ per cent Rupee Paper moved up from Rs. 96-11 to Rs. 97-11 (9th) and then shot up to Rs.98-7 (11th). Thereafter, the quotation reacted slightly to Rs. 97-13 (13th). In the third week of the month, however, Far Eastern political situation became complicated and a serious Sino-Japanese clash was regarded as imminent. Under this influence the local market eased somewhat and sellers predominated. 3½ per cent India Sterling Stock declined to £91½ (17th) and 3½ per cent Rupee Paper dropped from Rs.97-13 to Rs.97-5 (17th) but later improved again to Rs.97-13 (19th). In the last week there was no change in the gilt-edged market barring a temporary decline in the price of 3½ per cent Rupee Paper to Rs. 97-3 (28th), the closing being Rs. 97-9. The turnover was, however, restricted. 3½ per cent India Sterling Stock was unchanged at £91-3/4. The dated bonds were slightly more offered.

Better tone continues.

Far Eastern situation reacts adversely on Gilt-edged.

Local market easier.

The issue of five Provincial Loans was announced on 24th August by the Finance Departments of the Government of Madras, the U.P., the Punjab, C.P. and Berar and the North Western Frontier Provinces. The loans were issued through the Reserve Bank of India and offered at the uniform price of Rs.99 for every Rs.100 applied for. The amounts of the respective loans were as follows :—

Madras	Rs.150 lacs.
United Provinces	„ 100 „
Punjab	„ 100 „
Central Provinces and Berar	„ 50 „
North West Frontier Province	„ 60 „
	Rs.460 lacs.

In each case, the loan carried interest at the rate of 3 per cent per annum from September 1, 1937, the interest being payable half-yearly on March 1 and September 1 (liable to income-tax).

Though the subscription lists for the loans floated by the Provincial Government were closed within two hours of their opening on Tuesday the 31st August 1937, the local gilt-edged market remained practically unaffected by it in the early part of September. The tone of the market was dull there being no change in quotations except for 3½ per cent Rupee Paper which showed a sagging tendency. The increased tension in the International political situation accounted for the easiness. Cheap money on the other hand was largely responsible for maintaining the price of short and long dated bonds.

Provincial Loans floated.

For most part of the month thereafter, the market ruled dull owing to international complications and absence of enquiry. Gilt-edged values declined somewhat. 3½ per cent Rupee Paper declined steadily to Rs.96-13 (13th) despite improvement in 3½ per cent India Sterling Stock in London. In the middle of the month there was a fractional fall in

Dull tone.

all dated scrips. The turnover was restricted as buyers were holding off and sellers showing reluctance to part with their securities for want of alternative investments.

Steady tone prevails.

The gilt-edged market was firm during the first week of October, partly owing to more hopeful outlook of the European Political situation and partly due to the continuance of cheap money. 3½ per cent India Sterling Stock advanced from £92-1/8 to £93-1/4 and 3½ per cent Rupee Paper in the local market rose in sympathy from Rs.97-10 to Rs.98-12 (7th). Enquiry for dated bonds was limited with a fractional advance in prices. 2–3/4 per cent 1948-52 loan was quoted at Rs.100-2; 3 per cent 1951-54 loan at Rs.101-10; 3½ per cent 1947-50 loan advanced from Rs.106-4 to Rs.106-8. Business in 5 per cent 1945-55 (tax free) loan was done at Rs.120-7.

Temporary drop in rates.

Following discouraging news from abroad and the consequent easier conditions prevailing in other gilt-edged markets, prices in the local market also fell sharply; 3½ per cent Rupee Paper declined from Rs.98-12 to Rs.97-7 (12th). Towards the end of the week, however, a more confident tone prevailed in the London market, where 3½ per cent India Sterling Stock improved from £92-3/4 to £93, and locally 3½ per cent Rupee Paper also improved in sympathy and closed at Rs. 98-2 (15th). Prices of other scrips were practically unchanged with restricted business.

International situation improves; market steadier.

During the remainder of the month, there was some easing of the tension in the International political situation and the gilt-edged market ruled steady. Quotations showed slight improvement towards the close of the month; 3½ per cent Rupee Paper advanced from Rs.98-1 to Rs.98-11 (27th), although 3½ per cent India Sterling Stock remained practically unchanged around £92-1/2. Investment enquiry for medium and short dated bonds was restricted. 5 per cent 1945-55 (tax free) loan improved from Rs.120-5 to Rs.120-8, while 4 per cent 1960-70 loan gained from Rs.113-8 to Rs.113-13; 2-3/4 per cent 1948-52 loan closed at Rs.100-4, 3 per cent 1941 loan at Rs.103-12 and 3 per cent 1951-54 loan at Rs.120-2; 3½ per cent 1947-50 loan was unchanged at Rs.106-6, while 4 per cent 1943 bonds were in demand at Rs. 108-8. 4½ per cent 1955-60 loan was on offer at Rs.119-4, 5 per cent 1939-44 loan at Rs.105-6 and 5 per cent 1940-43 loan at Rs.108-7.

Steady tone continues.

Following steadier advices from London during the first week of November, where gilt-edged securities continued to strengthen, prices in the local market followed suit. Trading was, however, restricted. 3½ per cent Rupee Paper ranged between Rs.98-10 and Rs.98-14, whilst 3½ per cent India Sterling Stock recorded a rise of 25 shillings from £92½ to £93-3/4 (4th). 2-3/4 per cent 1948-52 loan was unchanged at Rs. 100-5, 3 per cent 1941 loan at Rs.103-14 and 3 per cent 1951-54 loan at Rs.103-4.

Prices shade lower.

The market displayed a firm tone in the early part of the second week of November, but towards the close, a slightly easier tone was in evidence following advices from London, where gilt-edged securities receded somewhat on profit-taking. 3½ per cent India Sterling Stock advanced from £93-3/4 to £94-1/4 (12th), but declined to £94. 3½ per cent

Rupee Paper in the local market, after touching Rs.98-14 (6th), declined to Rs.98-4. Other scrips were practically unchanged.

All round improvement in rates.

Throughout the remainder of the month, a steady tone was manifest in the local market and prices showed an all round improvement. Though the turnover was restricted, some investment demand was in evidence. This coupled with an advance of 15 shillings in the price of 3½ per cent India Sterling Stock in the middle of the month gave a fillip to the market. The quotation for 3½ per cent Rupee Paper rose from Rs.98-4 to Rs.98-14 (16th). 2-3/4 per cent 1948-52 loan advanced to Rs.100-8 ; 3 per cent 1951-54 loan moved up from Rs.102-4 to Rs.102-9 ; 4 per cent 1960-70 loan from Rs.113-12 to Rs.114 ; 3½ per cent 1947-50 loan kept steady around Rs.106-11 ; 4 per cent 1943 bonds around Rs.108-7 ; 4½ per cent 1955-60 loan around Rs.119-8 ; 5 per cent 1939-44 loan closed at Rs.105-1 ; 5 per cent 1940-43 loan at Rs.108-2 ; 5½ per cent 1938-40 loan at Rs.103 and 5 per cent 1945-55 (tax free) loan at Rs.120-10.

During the last week of November, although the rate in London for 3½ per cent India Sterling Stock declined by £1 to £93¼ (23rd) the quotation for 3½ per cent Rupee Paper in the local market was almost unchanged at Rs.98-11. Quotations for other scrips showed no change of consequence.

Market inactive; slightly easier.

The gilt-edged market was devoid of interest in the first week of December, there being practically no business in 3½ per cent Rupee Paper for forward which was nominally quoted at Rs.98-12. Towards the close, the quotation declined to Rs.98-7 chiefly in sympathy with the fall in 3½ per cent India Sterling Stock from £93-5/8 to £93½. Other scrips were unchanged with little business passing. In the middle of December, however, the gilt-edged market displayed an easier tendency in sympathy with foreign advices. The uncertainty surrounding the international political situation served as a restraining influence on potential investors. The quotation for 3½ per cent Rupee Paper declined further from Rs.98-8 to Rs.97-6 (15th). There was also a fractional decline in other scrips and the turnover was negligible.

Closing steady.

In the last two weeks of the year, the tone of the market was steadier and there was a recovery of about a rupee in 3½ per cent Rupee Paper from Rs.97-9 to Rs.98-7 (21st) although it closed a shade easier at Rs.97-12. 2¾ per cent 1948-52 loan was quoted at Rs.100-5 ; 3 per cent 1941 loan at Rs.103-8 ; 3 per cent 1951-54 loan at Rs.102-8 ; 3½ per cent 1947-50 loan closed at Rs.106-5 ; 4 per cent 1943 bonds at Rs.108-6 ; and 4 per cent 1960-70 loan at Rs.113-13. 5 per cent 1939-44 loan was in demand at Rs.105 ; 5 per cent 1940-43 loan at Rs.108 and 5 per cent 1945-55 (tax free) loan at Rs.120-8.

THE RAILWAY BUDGET.

Sir Muhammad Zafrullah Khan, the Member for Railways, introduced the Railway Budget for 1937-38 to the Legislative Assembly on February 16, 1937.

The gross traffic receipts for 1937-38 are budgetted at Rs.90¾ crores and expenses at Rs.61½ crores, leaving a total net revenue, including miscellaneous receipts, of Rs.29½ crores. After paying interest charges of Rs.29⅜ crores, a surplus of Rs.15 lakhs was expected which would, according to the modification of Separation Resolution, be transferred to the General Revenues.

Regarding Capital programme for 1937-38, it was proposed to purchase 2,000 wagons to meet the increase in goods traffic. This together with rolling stock would cost about Rs. 3½ crores. Track renewals would absorb about Rs. 4¼ crores, bridge works Rs. ¾ crore and structural works Rs. 2½ crores. Two new lines, were to be constructed in Sind. The total cost of all works after minor adjustments from stores, etc., would come to about Rs. 8½ crores.

In conclusion the Hon. Member, reviewing the general trade conditions, referred to the improvements manifest in the returns of goods traffic and hoped that this process would be continued.

The Explanatory Memorandum attached to the Railway Budget provided an interesting analysis of certain important items in the Budget. The following statement gives briefly the results of the working of railways since the separation of the Railway Budget from the General in 1924 :—

YEARS	Gross Traffic Receipts	Operating Expenses	Depreciation Fund	Payments to worked lines	Nett Revenues	Interest charge	Surplus or Deficit	Contribution to General Revenues	Mileage state-owned and worked lines
				(*In Rupees* 00000s *omitted*)					
1924-25 ..	107,47	55,35	10,35	3,64	37,06	23,90	13,16	6,78	32,849
1925-26 ..	106,06	56,56	10,67	3,55	34,09	24,81	9,28	5,49	33,067
1926-27 ..	105,19	56,22	10,89	3,44	33,37	25,87	7,50	6,01	33,479
1927-28 ..	110,61	56,59	11,38	3,65	38,12	27,27	10,85	6,28	33,898
1928-29 ..	111,00	57,85	12,00	3,64	37,14	29.33	7,81	5,23	34,954
1929-30 ..	109,17	58,89	12,59	3,17	34,50	30,46	4,04	6,12	35,611
1930-31 ..	100,09	57,05	13,07	2,33	27,53	32,72	—5,19	5,74	36,070
1931-32 ..	91,70	51,94	13,46	2,44	23,87	33,07	—9,20	..	36,510
1932-33 ..	89,29	51,57	13,77	2,37	22,68	32,91	— 10,23	..	36,508
1933-34 ..	91,76	52,10	13,56	2,53	24,62	32,58	—7,96	..	36,257
1934-35 ..	95,48	52,93	13,72	2,62	26,74	31,80	—5,06	..	36,253
1935-36 ..	96,02	53,55	13,25	2,69	27,40	31,39	—3,99	..	36,310
1936-37 (Revised)	100,45	53,39	13,15	2,81	30,98	30,83	15	..	36,129
1937-38* (Budget) .	96,10	51,36	12,59	2,74	29,51	29,36	15	15	33,808

* Excluding Burma Railways.

It can be seen from the above table that during the first six years, Indian State Railways earned Rs. 52½ crores after paying full interest charges and providing annually for accrued depreciation. During the six years—1930-31 to 1935-36 they were, however, unable to meet their interest charges in full after allowing for the accrued depreciation ; the deficiency amounting to Rs.41½ crores. Between 1924-25 and 1930-31 Railways contributed Rs. 41.65 crores to the General Revenues and the provision for depreciation exceeded withdrawals by Rs.24¾ crores. The total liabilities of Indian State Railways at the end of 1936-37 amounted to Rs.62 crores, of which, arrears of contribution to the General Revenues accounted for Rs. 30¾ crores and temporary loans from the Depreciation Fund for Rs.31⅓ crores. By a Special Resolution both the arrears of contribution to the General Revenues (Rs.30¾ crores) and loans from the Depreciation Fund (Rs.31⅓ crores) were written off, thus enabling the Railways to start with a clean slate for the year 1937-38. In this connection the following

statement showing the position of the Railway Depreciation Reserve Fund will perhaps be found interesting:—

YEARS	Appropriation to Fund	Withdrawals towards renewals and replacements	Nett accretion to Fund	Nominal Closing Balance	Temporary Loans to meet deficit	Actual closing Balance
		(*In lacs of Rupees*)				
1924-25	10,35	7,29	3,06	3,06	..	3,06
1925-26	10,67	7,99	2,68	5,74	..	5,74
1926-27	10,89	8,05	2,84	8,58	..	8,58
1927-28	11,38	10,95	43	9,01	..	9,01
1928-29	12,00	9,60	2,40	11,41	..	11,41
1929-30	12,59	11,76	83	12,24	..	12,24
1930-31	13,07	11,39	1,68	13,92	..	13,92
1931-32	13,46	8,26	5,20	19,12	4,25	14,87
1932-33	13,77	6,35	7,42	26,54	10,23	12,06
1933-34	13,56	8,07	5,49	32,03	8,05	9,50
1934-35	13,72	8,66	5,06	37,09	5,06	9,50
1935-36	13,25	9,16	4,09	41,18	3,99	9,60
1936-37 (Revised) ..	13,15	7,50	5,65	*45,22	—15	13,79
1937-38 (Budget) ..	12,59	6,00	6,59	51,81	..	20,38

* Excluding Rs. 161 lakhs for Burma Railways.

THE GENERAL BUDGET.

The Hon'ble Sir James Grigg, the Finance Member of the Government of India introduced his third Budget for 1937-38 to the Legislative Assembly on February 27, 1937.

The final accounts of 1935-36 showed a falling off of Rs. 13 lacs in the anticipated surplus, the actual being Rs. 184 lacs, which amount was taken to the Revenue Reserve Fund.

The revised estimates for 1936-37, owing to deterioration in revenue, showed a deficit of Rs. 197 lacs, instead of a surplus of Rs. 6 lacs.

In the Customs revenue, sugar accounted for a drop of Rs. 145 lacs, Metals and Iron and Steel for Rs. 40 lacs, British Piecegoods for Rs. 75 lacs and other articles for Rs. 164 lacs, making a total deterioration of Rs. 424 lacs. Increased receipts from import duty on silver of Rs. 158 lacs and of Rs. 55 lacs on silk fabrics, however, reduced the net decline under " Customs " to Rs. 211 lacs.

On the Expenditure side, the revised estimates showed a net increase of Rs. 25 lacs over the Budget figure. Owing to heavier discharge of Post Office Cash Certificates, interest charges were higher by Rs. 46 lacs, though the saving under "Civil Administration and Civil Works" amounted to Rs. 20 lacs.

Financial Year 1937-38.

The Hon. Member referred to two major changes which affected the estimates for 1937-38, first the Separation of Burma and second the Niemeyer award including under this head all the other alterations consequent upon the introduction of Provincial Autonomy. It was estimated that the general effect of the Separation of Burma would be a net reduction in revenue of Rs. 338 lacs and a

net reduction in expenditure of Rs. 92 lacs. As regards Provincial Autonomy, the net results would show a reduction of Rs. 51 lacs in revenue combined with an increase of Rs. 134 lacs in expenditure, *i.e.*, the total cost to the Centre of Rs. 185 lacs. The extra burden on the Central Budget arising from the constitutional changes due on April 1st next is estimated at Rs. 418 lacs.

The total revenue for 1937-38 is budgetted at Rs. 79.99 crores and the total expenditure at Rs. 83.41 crores. Among the revenue items, Customs and Taxes on income are expected to yield Rs. 44.66 crores and Rs. 14.30 crores as against the revised estimates of Rs. 46.73 crores and Rs. 15.30 crores respectively for 1936-37.

The total expenditure is put at Rs. 83.41 crores, *i.e.*, Rs. 8 lacs less than the revised estimate for 1936-37. Owing to constitutional changes, there is expected a net saving of Rs. 34 lacs. Interest payments are put at Rs. 87 lacs less owing to the diminution in "Bonus on P.O. Cash Certificates." Separation of Aden is expected to produce a saving of Rs. 20 lacs. On the other hand the Defence expenditure is put up by Rs. 26 lacs and Civil works by Rs. 25 lacs. The Defence estimates are put at Rs. 44.62 crores including Rs. 75 lacs for the rebuilding of Quetta.

The final result of the Budget estimates is a deficit of Rs. 342 lacs. Part of this deficit to the extent of Rs. 184 lacs is to be met from the Revenue Reserve Fund, leaving a net deficit of Rs. 158 lacs.

The Hon'ble Member referred at length to the factors which had tended to decrease revenue returns. He also mentioned the "pointers towards a greater resiliency of revenue in the not distant future." Administrative machinery for collection of income tax, customs and excise would be improved and tightened up. These steps, however, would not immediately help in bridging the gap between revenue and expenditure. To fill in this gap, the following proposals were made by the Hon'ble Member :—

1. The Sugar Excise duty to be increased from Rs. 1-5-0 to Rs. 2/- per cwt. and the additional revenue from this increase is estimated at Rs. 115 lacs. At the same time the present import duty of Rs. 9-1-0 was changed to Rs. 9-4-0 (Rs. 7-4 the substantive duty plus Rs. 2 excise duty).

2. The duty on imports of silver was raised from 2 annas to 3 annas per ounce, and the yield on this is estimated at Rs. 50 lacs.

The above two proposals came into effect forthwith.

The additional revenue obtainable from the above proposals amounts to Rs. 165 lacs. After wiping off the anticipated net deficit of Rs. 158 lacs, there will remain a surplus of Rs. 7 lacs at the end of 1937-38.

The Budget estimates for 1937-38 provided for two small changes in the Postal rates on book packets and on parcels. The reduction in the rate of half anna for the first $2\frac{1}{2}$ tolas and $\frac{1}{4}$ anna for every additional $2\frac{1}{2}$ tolas would cost Rs. 8 lacs and this would be compensated by the extra revenue of an equivalent amount consequent on the change in the rate of parcels from the present 2 annas to 4 annas on parcels weighing 40 tolas and under.

On the subject of borrowing programme, the Hon'ble Member stated that no rupee, or sterling loan mature in 1937 and hence it may not be necessary to issue a new loan. However, Government would not fail to take advantage if conditions proved favourable.

The Budget was characterised as a dry and almost a featureless one. It was gratifying however that even after allowing for the cost on the whole of Rs. 2½ crores through separation of Burma and providing over Rs. 6½ crores of assistance to the other provinces, the estimated net deficit is only Rs.158 lacs for the year 1937-38. The increase in excise duty on sugar to meet partly this deficit was untimely. In view of the proposed Tariff Board's enquiry into the conditions of sugar industry, this import might have been deferred. The increase in import duty on silver was calculated to act as a deterrent to the process of private hoarding; but at the same time it was expected to yield additional Rs.50 lacs. The masses of people are disposed to invest their money in silver; this will, therefore, mean a tax on capital.

BOMBAY GOVERNMENT BUDGET—1937-38.

The Finance Minister of the Government of Bombay, the Hon'ble Mr. A. B. Latthe, presented the Budget for 1937-38 to the Legislative Assembly on Tuesday, the 17th August 1937. The Budget estimates for 1937-38 being the first estimates to be presented to the Provincial Legislature under the Government of India Act, 1935, contained several changes in comparison with the estimates of the previous years. The figures for the previous years to 1935-36 are not therefore comparable with those of the current year. Transactions of the year 1937-38 are estimated to be as follows :—

	(000's omitted) Rs.
Revenue Receipts	11,99,55
Revenue Expenditure	12,17,22
Revenue deficit	17,67
Capital and debt heads receipts	14,18,07
Capital and debt heads disbursements	14,53,57
Capital and debt heads deficit	35,50
Closing balance .. .. .. Rs. ..	52,99

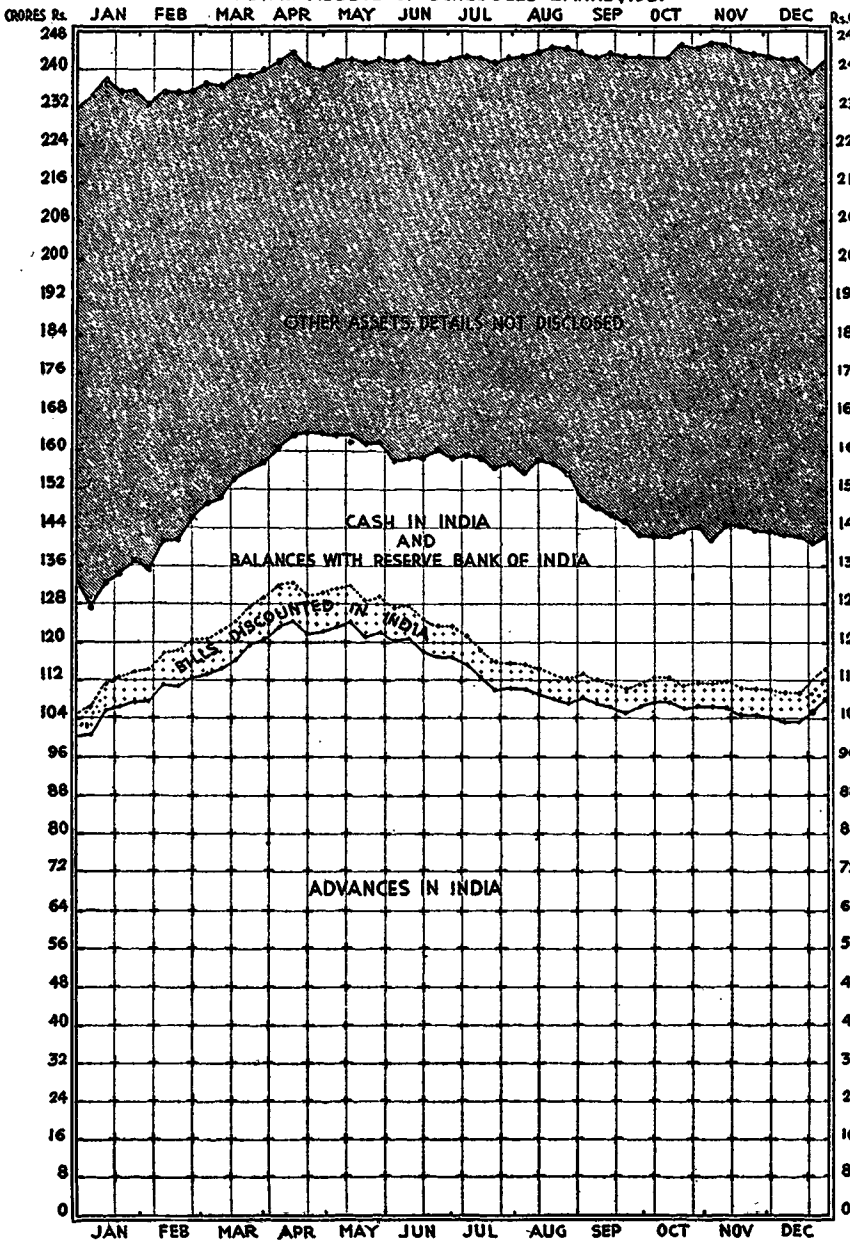
The year closes with a revenue deficit of a little over Rs.17½ lacs. This deficit, as is pointed out in the Budget Memorandum of the Financial Secretary, is due to certain non-recurrent items of expenditure which the Government have regarded as a legitimate charge against the surplus of last year's account. The wider schemes of social welfare and the financial measures necessary for the purpose of carrying them out have been postponed till next year. Certain provisions have, however, been made with a view to give relief to the agricultural population. Rs.10 lacs have been provided for the improvement of water supply in rural areas and Rs.1½ lacs for the development of village industries. The arrears of land revenue more than one year old are to be remitted. It is estimated that this will affect the land revenue receipts to the extent of Rs.5 lacs this year and Rs.5 lacs next year. As regards other measures, those worthy of mention are the permanent reduction of land

revenue assessment in certain areas estimated at Rs.5 lacs, a change in excise policy as a beginning in the experiment of prohibition, the estimated cost being Rs.2 lacs, the abolition of grazing fees estimated to involve a loss of Rs. 5 lacs and the provision of Rs. 40,000 as a further grant for the education of depressed classes. These items involve a recurrent reduction of receipts or increase of expenditure ; in order to meet them Government have effected reductions in several heads of expenditure to the extent of nearly Rs.10 lacs. The details of some of these cuts have yet to be worked out, but in respect of Rs. 4½ lacs, the cut will operate on contingent expenditure and on allowances to officers drawing more than Rs.75 per month.

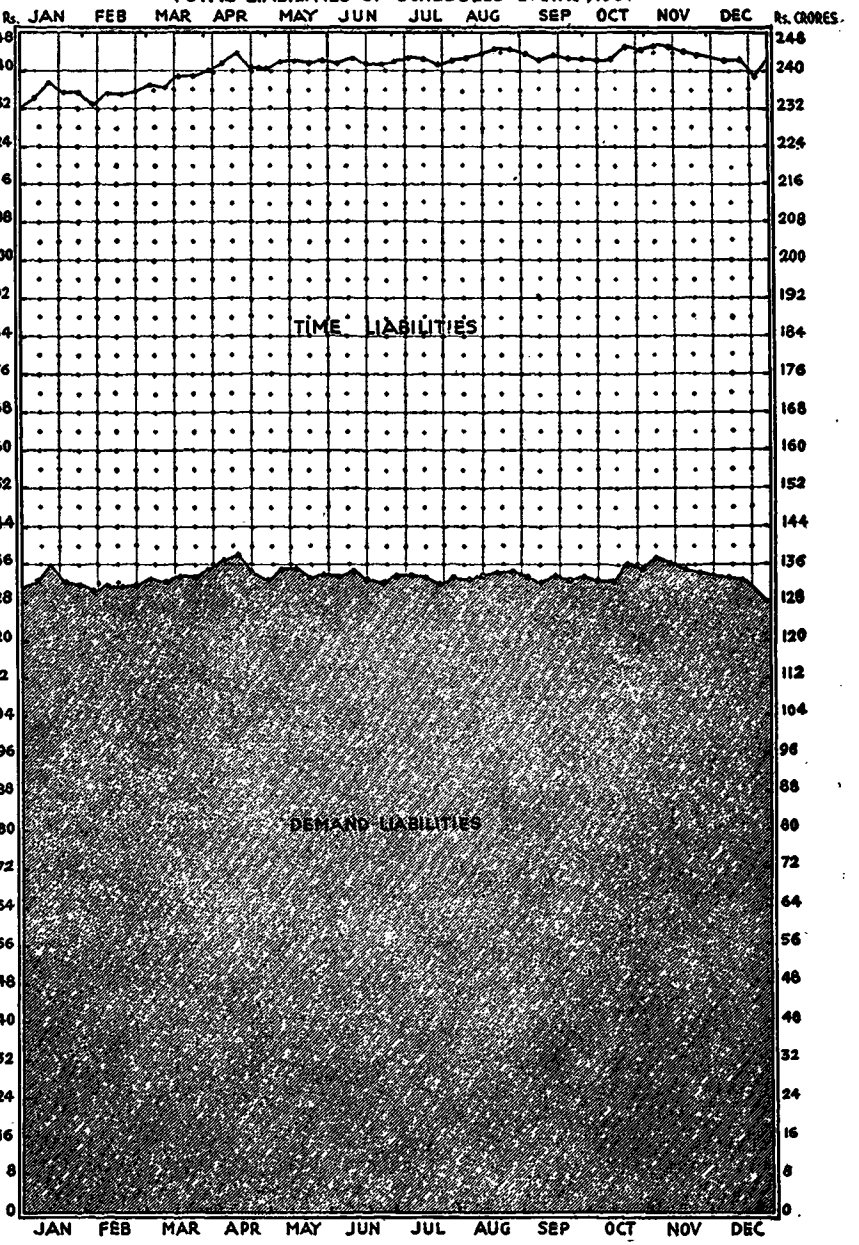
The Budget of the first responsible Government under the new Constitution was well received by the markets as well as by the public in general. It contained no surprises and was formulated in accordance with canons of sound finance. What is significant in the Budget is not so much the present proposals which are only token grants for relief to the rural population, but the indications of what the Government propose to do to increase revenue in order to meet on the one hand the increasing expenditure on social services and on the other, a reduction in revenue in certain heads, *e.g.*, excise, etc. The indications in this connection are more or less of a general character. The Finance Minister has rightly pointed out that the Presidency of Bombay is the most heavily taxed province in British India. It will, therefore, be necessary to adjust the incidence of tax on a more equitable basis and to impose fresh taxation on incomes which have so far remained exempt from taxation. It is re-assuring to find that the Finance Minister has decided to enforce rigid economy on several heads of expenditure. The administrative expenditure of the Government is top-heavy and is capable of substantial reduction without impairing administrative efficiency or without additional taxation.

We hope that Government will devise such schemes for the welfare of the people as will be in keeping with the principles of sound finance.

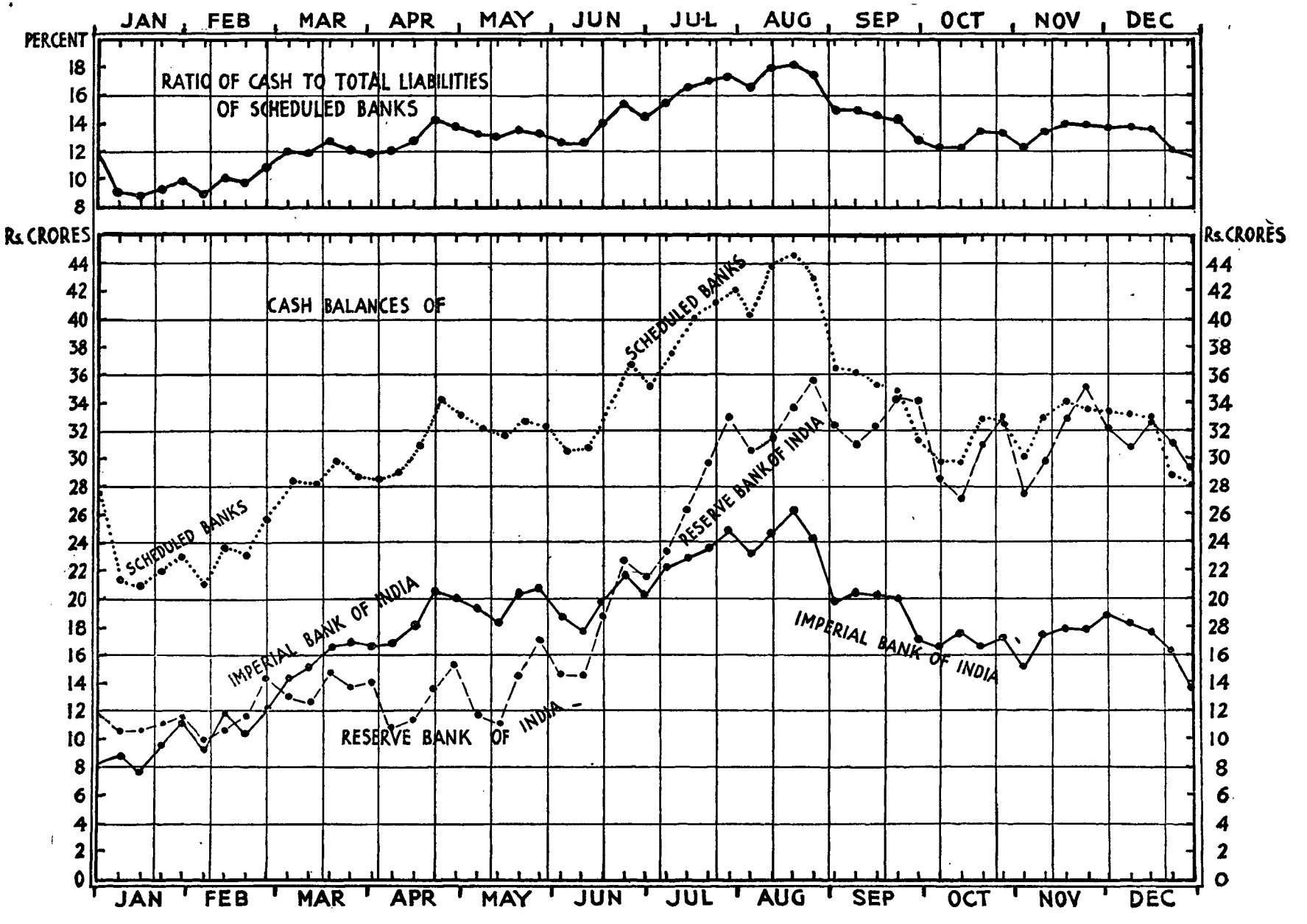
TOTAL ASSETS OF SCHEDULED BANKS, 1937


CRORES Rs.
JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC
Rs. CRORES.
248 240 232 224 216 208 200 192 184 176 168 160 152 144 136 128 120 112 104 96 88 80 72 64 56 48 40 32 24 16 8 0
OTHER ASSETS DETAILS NOT DISCLOSED
CASH IN INDIA
AND
BALANCES WITH RESERVE BANK OF INDIA
BILLS DISCOUNTED IN INDIA
ADVANCES IN INDIA

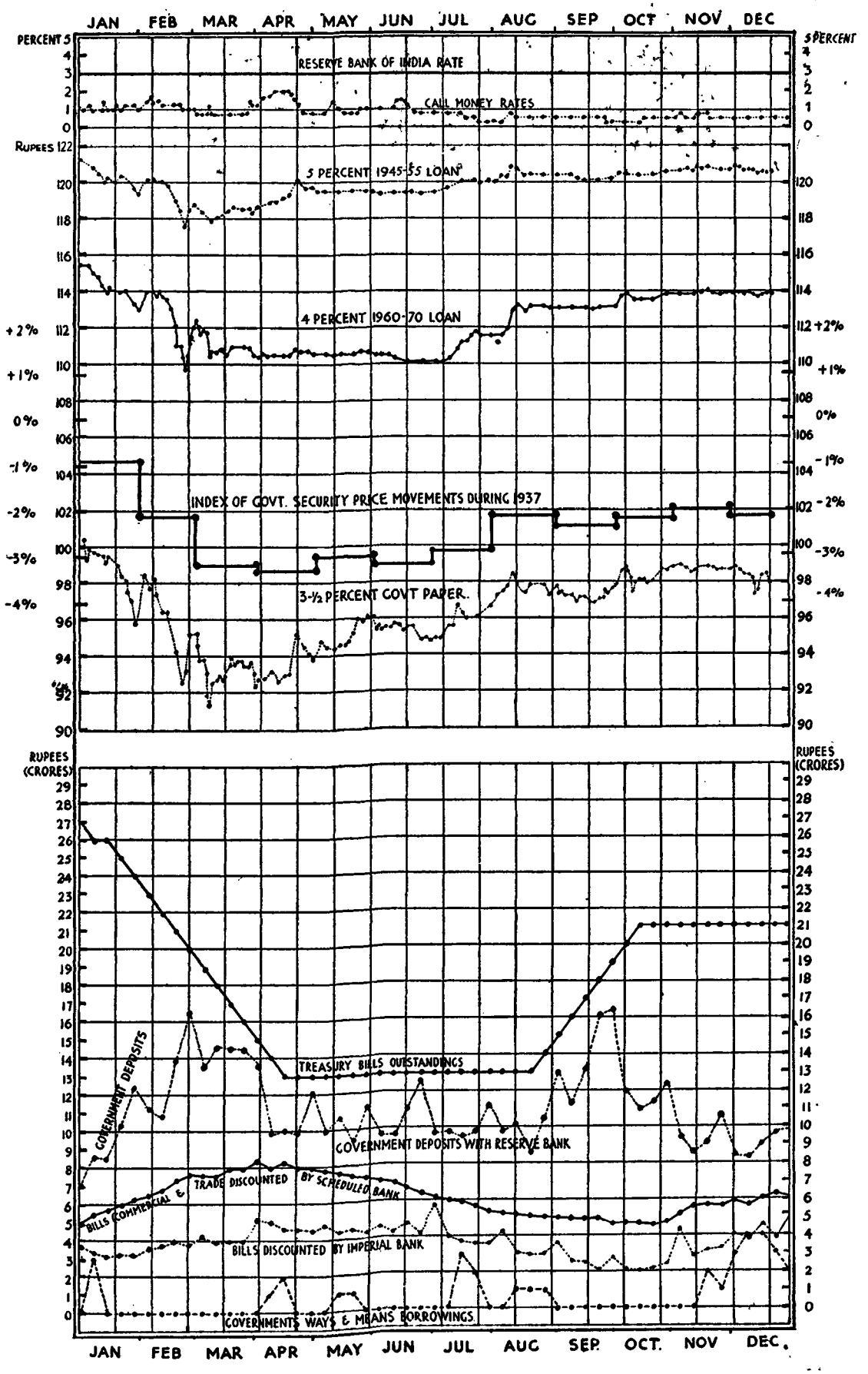
TOTAL LIABILITIES OF SCHEDULED BANKS, 1937



MONEY CHART, 1937.



MONEY CHART, 1937.



STERLING EXCHANGE.

Market opens steady.

At the beginning of the new year, sterling exchange was steady with sellers of ready T.T. quoting 1*s.* 6-1/8*d.* and no buyers under 1*s.* 6-5/32*d.* In the last week of December, heavy amounts of sterling were offered for sale to Government of which approximately 2 per cent. were allotted at 1*s.* 6-1/8*d.* Presumably with a view to relieve the pressure, Government increased the amount of sterling tenders from £1 million to £2 million as from 15th of January. This action was opportune and was welcomed by the market since there was a sizable demand for rupees against sterling to finance the movement of crops and the growing volume of exports from India to Europe and Japan. It is interesting to record that it was for the first time since the second half of September 1927 that the amount of sterling tenders was raised from one to two million.

Amount of sterling tender increased.

Steady tone continues.

The announcement of the increase had an immediate effect; there were buyers of T.T. for delivery March onwards at 1*s.* 6-9/64*d.* However, continued good demand for money coupled with a fair showing of merchandise export bills and a moderate business for export of gold kept nearer deliveries steady, sellers of ready T.T. still quoting 1*s.* 6⅛*d.*

Large amounts offered to Government.

Sterling tenders in the first week of January were £1,000,000 and in addition Government were able to obtain £2,202,000 at 1*s.* $6\frac{5}{32}d.$ on tap during that period. In the last two weeks offerings of sterling were very heavy, the amount tendered exceeding £100 million at 1*s.* 6⅛*d.* and the allotment was no better than 2 per cent. Showing of merchandise export bills was large and small lots of sterling at 1*s.* $6\frac{5}{32}d.$ were sold to Government in addition to weekly tenders. The total amount of sterling purchased by Government during January was £8,000,000 by tenders at 1*s.* 6⅛*d.* and £2,497,000 on tap at 1*s.* $6\frac{5}{32}d.$

Tone slightly quieter.

February saw sterling exchange a shade quieter during the earlier period, partly as a result of large demand for remittances in connection with imports of silver and partly owing to a decrease in merchandise export bills. Business in connection with export of gold was also small, the rate in the local market persistently ruling above export parity.

Tenders decrease in amount.

In the first week, buyers of ready T.T. quoted 1*s.* 6⅛*d.* and sellers 1*s.* $6\frac{3}{32}d.$ Tenders to Government for £2 million sterling were, compared to the amount tendered in the previous week, slightly lower, at £68,750,000, of which approximately 3 per cent were allotted at 1*s.* 6⅛*d.* The rate for forward deliveries was practically unchanged. During the remainder of the month, conditions in the sterling exchange market were quietly steady. Fresh business for export of gold was restricted and showing of merchandise export bills was on a small scale, but, on the other hand, there was no enquiry for remittances in connection with imports of silver. The rates remained practically unchanged. Sellers of ready T.T. quoted 1*s.* $6\frac{7}{64}d.$ and buyers 1*s.* $6\frac{9}{64}d.$ occasional business being transacted at the middle rate. Tenders to Government continued to be large at £97 and £86 millions in the second and third weeks respectively, but in the last week the amount tendered was £41,825,000. Government were able to obtain £130,000 on tap at 1*s.* $6\frac{5}{32}d.$ during the week ended February 12th.

In the March perspective, sterling exchange ruled quietly steady, fresh business for gold export as well as showing of merchandise export bills being small. Sellers of ready T.T. quoted 1*s.* $6\frac{3}{32}d.$ and buyers 1*s.* $6\frac{1}{8}d.$ Tenders to Government dwindled rapidly to a little over £1¼ million per week during that period. The amount was accepted in full at 1*s.* $6\frac{1}{8}d.$ Government reduced the amount of tenders from £2 million to £1 million from the 10th of March. This tended to give rise to a slightly steadier feeling in the third week and the market ruled steady during the remainder of March partly owing to a fair showing of merchandise export bills and partly due to dearer money. Sellers of ready T.T. quoted 1*s.* $6\frac{7}{64}d.$ and buyers 1*s.* $6\frac{3}{64}d.$ with occasional business done at the middle rate. Tenders to Government during the week ended 17th March amounted only to £830,000, which were accepted in full at 1*s.* $6\frac{1}{8}d.$ But in the last week, applications exceeded £4 million at 1*s.* $6\frac{1}{8}d.$ the allotment being approximately 24 per cent.

Tone quietly steady.

Amount of tenders reduced.

Tenders decline.

Large turnover in gold for spot and near deliveries for export was chiefly responsible for the steady conditions in the sterling exchange market in the first week of April, buyers of ready T.T. quoting 1*s.* $6\frac{3}{64}d.$ and sellers 1*s.* $6\frac{7}{64}d.$ Applications for £1 million sterling tenders were heavy and the allotment amounted to only 2 per cent. In addition, intermediates to the extent of £30,000 were accepted by Government at 1*s.* $6\frac{5}{32}d.$ Rates ruled very steady upto the middle of the next week when the tone became a shade easier on the announcement that the amount of sterling tenders was again raised from one million to two million from the 21st of April. The undertone of the market was however, steady as a large volume of business in connection with export of gold was transacted, though most of the contracts were for forward delivery. Tenders to Government on the 16th amounted to £55 million, of which about 2 per cent were allotted at 1*s.* $6\frac{1}{8}d.$ Government also purchased on tap £105,000 at 1*s.* $6\frac{5}{32}d.$ during that period. For the remainder of the month, the market was steady, but fresh business in connection with export of gold as well as merchandise was small. Sellers of ready T.T. quoted 1*s.* $6\frac{3}{32}d.$ and buyers 1*s.* $6\frac{1}{8}d.$ Tenders to Government during the week ended 21st amounted to £7½ million, of which about 27 per cent were allotted at 1*s.* $6\frac{1}{8}d.$ But in the following week, applications amounted to only £345,000 at 1*s.* $6\frac{1}{8}d.$ which were accepted in full.

Sterling steady and tenders large.

Amount of sterling tenders again increased.

Tenders fall off.

During the first half of May, sterling exchange was quietly steady, sellers of ready T.T. quoting 1*s.* $6\frac{3}{32}d.$ and buyers 1*s.* $6\frac{1}{8}d.$ There was a fair volume of business in connection with export of gold mostly for forward deliveries, but the showing of merchandise export bills was restricted. Tenders to Government were small, amounting to £10,000 in the first and £15,000 in the second week of the month. These were accepted in full at 1*s.* $6\frac{1}{8}d.$ During the remainder of the month, sterling exchange was dull and the quotations remained unchanged. Fresh business in connection with export of gold was very limited. Tenders to Government accordingly were still small, £20,000 being tendered in the third week and £50,000 in the last week at 1*s.* $6\frac{1}{8}d.$ which were accepted in full.

Quiet tone in sterling market and tenders fall off further.

Quiet conditions prevailed in the sterling exchange market in the first week of June, sellers of ready T.T. quoting 1*s.* $6\frac{3}{32}$*d.* with occasional buyers at 1*s.* $6\frac{1}{8}$*d.* This was due to the fact that there was practically no fresh business for export of gold. There were no tenders to Government at 1*s.* $6\frac{1}{8}$*d.* during the period, lower tenders having been rejected.

No tenders to Government.

Rates were, however, a shade steadier for near deliveries during the subsequent two weeks, sellers of ready T.T. quoting 1*s.* $6\frac{7}{64}$*d.* and buyers 1*s.* $6\frac{1}{8}$*d.* owing to steadier conditions in the money market. The turnover was restricted, since fresh business in connection with export of gold continued small. Tenders to Government during this period at 1*s.* $6\frac{1}{8}$*d.* amounted to £715,000, which were accepted in full. Towards the close, however, sterling exchange was again a shade quieter in sympathy with easier trend in the money market, but there was no change in the previous quotations.

Market steadier with limited turnover.

Throughout July, the market was quietly steady with practically no change in quotations. Sellers of ready T.T. quoted 1*s.* $6\frac{7}{64}$*d.* and buyers 1*s.* $6\frac{9}{64}$*d.* with occasional business transacted at the middle rate. Showing of merchandise export bills was small during this period. Tenders to Government at 1*s.* $6\frac{1}{8}$*d.* were very small in the first week of the month, amounting to £20,000. In the middle of the month, they improved to £265,000, but again dwindled to £100,000 in the third week. Towards the close, the amount of tenders was again negligible at £20,000 and these were accepted in full. Forward rates were steady with sellers of T.T. for delivery December to March 1938 quoting 1*s.* $6\frac{1}{8}$*d.*

Market quietly steady.

August saw no change in sterling exchange, quotations remaining unchanged. There were no tenders to Government at 1*s.* $6\frac{1}{8}$*d.*, the lower ones having been rejected. In the second week of the month, sterling was steadier with sellers of spot T.T. quoting 1*s.* $6\frac{7}{64}$*d.* and buyers 1*s.* $6\frac{9}{64}$*d.* The appearance of jute bills in Calcutta and moderate amount of fresh business for export of gold accounted for £230,000 being tendered to Government at 1*s.* $6\frac{1}{8}$*d.* During the remainder of the month, sterling exchange was steady although there was no change in quotations. Some enquiry in connection with export of gold was in evidence but the business put through was only for a modest amount and that too for forward delivery. Showing of merchandise export bills was restricted. Sterling tenders to Government during the period amounted to £430,000 and £93,000 at 1*s.* $6\frac{1}{8}$*d.*

Jute bills appear and market tone steadier.

The market was flat during the early part of September and rates remained unchanged. The volume of fresh business for export of gold was small and showing of merchandise export bills negligible. The quotations were unchanged with sellers of ready T.T. at 1*s.* $6\frac{3}{32}$*d.* and buyers at 1*s.* $6\frac{1}{8}$*d.* Forward positions were slightly firmer with sellers of T.T. at 1*s.* $6\frac{7}{64}$*d.* for delivery December to March 1938, but the volume of business was meagre. Sterling tenders to Government amounted to £30,000 on the 15th and £15,000 on the 22nd and these were accepted in full.

Market flat.

Market steady but inactive.

Throughout October, sterling exchange was steady, sellers of spot T.T. quoting 1*s.* $6\frac{3}{32}$*d.* and buyers 1*s.* $6\frac{1}{8}$*d.* Very little business was done in connection with export of gold as the local rates ruled above parity during the earlier part of the month. The showing of merchandise export bills was very restricted locally though a fair showing of tea bills was reported from the Calcutta market. Sterling tenders to Government at 1*s.* $6\frac{1}{8}$*d.* during October amounted to £3,035,000, which were accepted in full.

Tone quiet; Business restricted.

There was no change in the sterling exchange during the first half of November, but in the beginning of the third week, the undertone of the market was a shade quieter in the absence of any fresh business either in connection with export of gold or merchandise. Sellers of spot T. T. quoted 1*s.* $6\frac{3}{32}$*d.* and buyers 1*s.* $6\frac{1}{8}$*d.* occasional business being transacted at race-course odds within this range. The fact that there were no tenders to Government at 1*s.* $6\frac{1}{8}$*d.* during this period indicated the exceptional slackness in the export trade of the country which is generally active at this time of the year. During the remainder of the period, there was no change in sterling exchange quotations, though during the last week of November some fresh business was reported in connection with export of gold for immediate shipment. There were, however, no sterling tenders to Government at 1*s.* $6\frac{1}{8}$*d.*

Market shade steadier.

During the first week of December, sterling exchange was steady, sellers of spot T. T. quoting 1*s.* $6\frac{3}{32}$*d.* and buyers 1*s.* $6\frac{1}{8}$*d.* A moderate amount of business was done in connection with export of gold both for near and forward deliveries. The cover provided by this source, however, was offset by small remittance enquiry. Accordingly, there were no sterling tenders to Government at 1*s.* $6\frac{1}{8}$*d.* During the subsequent two weeks, there was no change in quotations. However, a fair amount of business was done in connection with export of gold for near and forward deliveries in the last two weeks of the month and accordingly, after a lapse of five weeks, there were sterling tenders to Government at 1*s.* $6\frac{1}{8}$*d.* aggregating £570,000, which were accepted in full.

The total open market purchases of sterling made by Government during the year aggregated £32,063,000 by weekly tenders at 1*s.* $6\frac{1}{8}$*d.* and £4,187,000 on tap at 1*s.* $6\frac{5}{32}$*d.*

FOREIGN EXCHANGES.

Steady conditions prevail.

1937 saw steady conditions in the foreign exchange market in London. There was little variation in the value of sterling in terms of the dollar. The French franc also ruled steady mainly owing to the successful passing of the budget in the French Legislature. The discount on forward francs for three months' delivery had narrowed from frs. $2\frac{3}{8}$ to frs. $1\frac{9}{16}$ during the first week of January. The sterling/franc rate moved between frs. 105.16 and frs. 105.10. The belga and the guilder were steady. Among the Eastern exchanges, the Shanghai dollar was steady at 1*s.* $2\frac{17}{32}$*d.* during that period.

Discount on forward francs declines.

The subsequent two weeks witnessed no major movements but in the last week of January, the forward French franc ruled weak, the discount on three months' forward delivery advancing at one time to frs. $3\frac{3}{16}$. This weakness was mainly occasioned by a reported hitch in the negotiations for a credit of £50 million, which the French Government was reported to be negotiating in London. The Bank of France again resorted to the use of the orthodox weapon and raised its discount rate from 2 per cent. to 4 per cent. on the 28th of January. During the early part of the same period sterling showed a slight appreciation in terms of the dollar, but towards the close, continental buying of dollars brought down the rate from \$4 .90$\frac{15}{16}$ to \$4 .89$\frac{13}{16}$. The belga and the guilder moved between 29 .12$\frac{3}{4}$ and 29 .66$\frac{3}{4}$ and between 8 .95$\frac{3}{4}$ and 8 .94$\frac{1}{2}$ respectively. Among the Eastern exchanges, the Shanghai dollar was practically pegged around 1*s.* 2$\frac{19}{32}$*d.* and the Yen remained unchanged at 1*s.* 2*d.*

Forward franc weakens.

Dollar depreciates.

In the beginning of February, the report that a credit of £40,000,000 had been arranged by the French Government with a group of British Banks went a long way to liquidate the scare that existed in the previous week. On this news, the francs were in good demand. The London/Paris rate declined from frs. 105 .16 to frs. 104 .98. The discount on three months' forward francs also declined to frs. 2 .59, but the uneasiness regarding the French financial situation still persisted. The sterling/dollar exchange moved within narrow limits between \$4 .89$\frac{7}{16}$ and \$4 .90$\frac{1}{16}$.

French Government arranges sterling credit.

In the following week, the dollar appreciated sharply in terms of sterling; the demand for dollars was active on renewed fears of further devaluation of the French currency. The sterling/dollar cross-rate, after opening at \$4 .89$\frac{7}{16}$, declined to \$4 .88$\frac{5}{8}$. Later, however, the intervention of the French Control steadied the franc. The sterling/dollar rate also gradually improved to \$4 .89$\frac{9}{16}$. The belga and the guilder fluctuated between 29 .04$\frac{1}{2}$ and 28 .99 and 8 .98$\frac{3}{4}$ and 8 .93$\frac{1}{4}$ respectively.

Dollar appreciates sharply.

During the remainder of February, the foreign exchange market in London experienced steady conditions. The sterling/dollar rate fluctuated between \$4 .89$\frac{1}{8}$ and \$4 .89. The spot francs hovered around frs. 105$\frac{1}{8}$ per pound sterling, but the discount on three months' forward francs ruled above 3 francs throughout the period. The belga and the guilder ruled steady in terms of sterling, the belga quoting between 29 .03 and 29 .01 and the guilder between 8 .94$\frac{1}{2}$ and 8 .92$\frac{1}{2}$. Towards the close of the month, sterling exhibited a slight weakness in terms of the dollar, but at \$4 .89 there were strong buyers of dollars.

Steady conditions prevail.

As from 22nd of February, the special rate of exchange for tourists visiting Italy was 103 .20 Liras to the pound sterling, the current rate being 92 .90 Liras to the pound. Among the Eastern exchanges, the Shanghai dollar closed at 1*s.* 2$\frac{9}{16}$*d.* and the Yen was pegged practically around 1*s.* 2$\frac{1}{32}$*d.*

Special tourists rate fixed for Lira.

Early in March, the weakness of sterling in terms of the dollar became a trifle more pronounced and the sterling/dollar rate declined to \$4 .88$\frac{1}{2}$, though most of the time it ruled round \$4 .89. Forward dollars commanded a premium of $\frac{7}{8}$ cents for three months' delivery. The London/Paris rate moved narrowly, the highest

Narrow Movements.

being frs. 105 .16 and the lowest frs. 105 .11. But the widening of the forward francs for three months' delivery to 3¼ reflected persistent uneasiness about the future. The belga and the guilder showed narrow movements.

Fresh devaluation measures re : franc announced.

Apprehensions of further devaluation of the French franc were allayed by the announcement on the 5th of March of the new measures which were calculated primarily to restore confidence in the franc. Under the Devaluation Bill of October 1936, the French nationals, who surrendered gold, were paid only the pre-devaluation price. This penalty was removed and the Bank of France was thenceforward to buy gold at current prices. The buying price was to be fixed only at the time when gold was tendered. This circumstance rendered arbitrage business almost impracticable. It was also proposed to permit the import and export of gold and also transactions in gold within the country.

FrenchExchange Control withdraws from market.

After the announcement of these measures, the French Exchange Control withdrew and the sterling/franc rate rose at once from frs. 105 .15 to over frs. 107. Francs were heavily offered in the London market and the rate touched frs. 108¼; later, buyers of francs predominated, and the rate dwindled gradually to frs. 106 .58. The discount on three months' forward francs rose to frs. 3 .62 but narrowed to frs. 1 .53 on bear covering. The undertone for the franc improved considerably.

Sterling ruled easier in terms of the dollar, the sterling/dollar rate declining to $4 .87 11/16. On offerings of dollars on Continental account, the rate advanced to $4 .88⅜. The belga and the guilder fluctuated between 29 .00 and 28 .86 and 8 .93⅞ and 8 .91 respectively. Among the Eastern exchanges, the Shanghai dollar was steady at 1*s.* 2⅝*d.* and the Yen remained unchanged.

Nervous tone on French Bourse.

During the third week of March, Paris Bourse exhibited nervousness owing to the rioting in Paris on the 16th and this was responsible for substantial selling of francs. The dollar market also was active but the movements were not wide, the cross-rate fluctuating between $4 .88⅞ and $4 .88½. Other exchanges were practically stationary. Towards the close of March, sterling appreciated in terms of the dollar following large sales of the latter currency against shipments of gold. The London/New York cross-rate advanced from $4 .88⅝ to $4 .89¼ and closed at $4 .89 3/16. The London/Paris exchange was well controlled and the quotation fluctuated between frs. 106¼ and frs. 106½. The belga and the guilder were steady around 29 .00 and 8 .94 respectively.

"Gold Scare."

The appreciation of sterling in terms of the dollar continued upto 7th of April when suddenly rumours regarding a downward change in the price of gold contemplated by the U.S.A. Treasury gained currency. The highest quotation for sterling during the week was $4 .91⅛; dollars were sold against gold shipments but the upward trend was quickly reversed by the rumours about the gold price. Nervousness was felt in the London market with buyers of dollars predominating. The London/New York rate fell from $4 .90½ to $4 .89½ and closed with sterling weak against the dollar. French francs were also easier, the London/Paris cross-rate advancing from frs. 106 .33 to frs. 107 .37. The guilder rose from 8 .93 9/16 to 8 .96⅜, but closed at 8 .94 5/16.

Despite official denials regarding any change in the U.S.A. Monetary policy, the gold rumour persisted. The second week of April saw heavy liquidation of gold holdings. It was reported that a good proportion of the offerings was taken for New York. Moreover, the effect of reassuring statements by the Secretary of the U. S. Treasury had become apparent and conditions were calmer towards the close. Demand for gold became more general and offerings were, therefore, absorbed with less difficulty. Offerings of dollars against shipments of gold to New York were responsible for the rise in the sterling/dollar rate to $4.91 on the 14th. As gold offerings diminished in volume, the exchange gradually declined to $4.89.32. Forward dollars, however, were still in good demand and the premium thereon widened to $1\frac{1}{32}$ cents for three months' delivery.

Dollar appreciates.

The franc depreciated further from frs. 107.37 to frs. 110 to the pound sterling, chiefly owing to a demand for dollars in Paris caused again by the gold rumour. Apparently, the French Exchange Control allowed the dollar and the pound sterling to appreciate against the franc. But at Frs. 110 to the pound sterling, the Control steadied the exchange; in a week, the franc depreciated by nearly 3 per cent. in terms of sterling.

Franc depreciates.

Further liquidation of gold holdings continued during the third week of April. Most of the offerings in the London market were reported to have been taken for shipment to New York. The dollar weakened in terms of sterling following heavy sales against continued shipments of gold. The London/New York cross-rate advanced from $4.90.87 to $4.94.

Dollar weakens.

The franc weakened still further, the London/Paris cross-rate rising from frs. 110.01 to frs. 111.20. Forward francs for three months delivery were quoted at a discount of frs. $2\frac{1}{8}$. The rate of exchange on Amsterdam moved upwards in sympathy with the higher sterling/dollar exchange. The highest recorded during the period was 9.02¼ on the 22nd, but later there was a reaction to 9.01 11/16.

Franc weakens further.

In the last week of April, the foreign exchange market in London was dominated by various reports regarding the possibilities of a change in the gold policy of the U. S. Government. The almost panicky conditions in the stock market also influenced exchanges and as a consequence, the dollar weakened in terms of sterling, the London/New York rate touching $4.94.80. Despite repeated official denials from Washington, fears regarding the value of gold were not allayed and the outlook remained uncertain.

Panicky conditions on stock markets.

The dollar finished at $494.60 at the end of the month. The franc moved up nearly to 112, which, it may be recalled, was the upper limit fixed under the Devaluation Bill of October 1936. M. Auriol, the French Finance Minister, gave an assurance that the franc would not be allowed to go below the limit set by the monetary law and that Government commanded ample resources to keep the upper limit in check. As a consequence, the sterling/franc rate declined to frs. 110.34. The guilder moved between 9.02 5/16 and 9.00, the belga between 29.26½ and 29.18¾ and the Lira between 93.98 and 93.67.

Franc depreciates further.

The foreign exchange market in London was active during the first week of May. The dollar recovered from 4.95.37 due to the restoration of a measure of confidence as a result of the purchase of gold at a premium of 1*d.* over the dollar arbitrage parity by the British Exchange Equalisation Fund in the open market. The franc improved to frs. 109 on the 4th, but later reacted to frs. 110 the same day. The franc appreciated both in terms of the sterling and the dollar partly due to the repatriation of the French capital probably to meet the losses on the Paris Bourse and partly as a result of the moderation displayed by the Left Wing in their economic programme. The guilder moved between 9.02¾ and 8.99$\frac{9}{16}$, the belga between 29.30½ and 29.22$\frac{5}{16}$ and the Lira between 94.10 and 93.75.

Market active in Exchanges.

There was no material change in the foreign exchange market during the remainder of May. The French exchange was supported from Paris between frs. 110$\frac{15}{16}$ and frs. 110⅛. Forward francs for three months' ahead were quoted at a discount of frs. 1.75 in the middle of the month which later widened to frs. 2. The guilder, the belga and the lira showed small, if any, variations in quotations. The Shanghai dollar fluctuated between 1*s.* 2½*d.* and 1*s.* 2$\frac{17}{32}$*d.*

Unimportant changes.

Political tension in Europe over the Spanish situation coupled with renewed fears about the American gold policy resulted in heavy buying of dollars in the foreign exchange market in London during June. The dishoarders of gold bought dollars with the proceeds. The sterling/dollar cross-rate declined sharply to $4.92.27 and thereafter fluctuated narrowly; forward dollars were quoted at a premium of 1$\frac{13}{32}$ cents for three months' delivery. The sterling/franc rate was practically unchanged around the previous close of frs. 110.6 upto mid-June.

Dollar appreciates.

At this juncture there was nervousness again regarding the Franc. The French Government's critical financial position was the governing factor. While the rate for spot francs was controlled at frs. 110.90, forward francs were heavily offered and the discount widened from frs. 3.090 to frs. 6.5 per pound. Following an increase in the Bank of France's discount rate from 4 to 6 per cent. on the 14th of June and on receipt of news that M. Blum had received a vote of confidence in the Chamber, there was a considerable bear covering which reduced the discount on three months' forward francs to frs. 3.75. There were little variations in the quotations for other exchanges.

Discount on forward francs decreases.

The feeling of nervousness about the future of the franc persisted, and following the resignation of the Blum Government on the discount on three months' forward francs widened from frs. 3.75 to frs. 8.625. There were sellers of francs one week ahead at a discount of frs. 2.25. The spot rate was, however, maintained around frs. 110.92 by the occasional intervention of the Control. There were reports to the effect at this juncture that the American Government was willing to help French authorities in repatriating French capital from America. The closing of the Paris Bourses and the suspension of all payments in gold and foreign currencies necessitated the suspension of all dealings in francs in the London foreign exchange market.

Nervous feeling re: franc.

Paris Bourse closes.

The sterling/dollar cross-rate opened at $4.93.75 and gradually advanced to $4.94.82. As a result of active Continental buying, the sterling/dollar rate declined to as low as $4.92.90, but reacted to $4.93.87 on general offerings of dollar against gold arbitrage. The belga fluctuated between 29.28-1/4 and 29.24-1/2, the guilder between 8.99-13/16 and 8.98-1/16 and the lira between 94.00 and 93.82. The Shanghai dollar was almost unchanged at 1*s.* 2-29/64*d.*

Dollar depreciates.

American and French currencies were the centre of attraction in the foreign exchange market in London during the first week of July. Dollars were sold by Continental holders and also a small amount against gold shipments. In consequence, the dollar, after opening at $4.94.50, touched $4.96.60, but at this level the intervention of the British Control brought the rate down to $4.95.12. Following the devaluation of the franc, there was a rush to buy French francs. The sterling/franc rate, after opening at frs. 128.81, declined to frs. 128.16 on continued heavy purchases by French nationals. The British Control was obliged to sell francs with a view to avoid wide fluctuations in the sterling/franc cross-rate. The discount on three months' forward francs narrowed from frs. 3.56 to frs. 2.375, but widened again to frs. 3.960. The Bank of France lowered its discount rate on the 6th from 6 per cent to 5 per cent and the rate of advances on securities from 7 per cent to 6 per cent. The belga opened at 29.37 and, after advancing to 29.46-1/2, closed at 29.43-1/2. The guilder fluctuated between 9.02-5/8 and 8.99-3/16 and the Italian lira between 94.30 and 93.77. The Shanghai dollar oscillated between 1*s.* 2-27/64*d.* and 1*s.* 2-3/8*d.*

Bank of France lowers discount rate.

Dollar depreciates further.

In the second week of the month, dollars were more freely offered and the sterling/dollar rate, after opening at $4.95.15, rose to $4.97.12 on the 13th and 14th of July. At the higher level, the British Control was reported to have stepped in and forced the rate back to under $4.97. The turnover in market was, however, smaller than that in the last week. The demand for francs continued and the sterling/franc rate, after opening at frs. 128.25, declined to as low as frs. 127.96, but closed at frs. 128.98. The French Control was active throughout the week and was reported to be selling French francs against the purchase of dollars. The discount on three months' forward francs, after opening at frs. 3.96, advanced to frs. 4.125 probably in anticipation of new taxation announced by the French Finance Minister on July 9th. Thereafter, however, the discount narrowed to frs. 3.310 and closed at frs. 3.930. The belga opened quiet at 29.43-1/2, and after touching 29.51-3/4, eased to 29.50 at the close. The guilder oscillated between 9.03-5/8 and 9.01-9/16 and the Italian lira between 94.40 and 94.14. The Shanghai dollar moved narrowly between 1*s.* 2-3/8*d.* and 1*s.* 2-1/4*d.*

Heavy offerings of French francs.

Sterling appreciated in terms of the French and the American currencies during the third week of July. The sterling dollar rate gradually advanced on Continental offerings of dollar against sterling from $4.96.65 to $4.98.50. Renewed nervousness in France about the budgetary position of the country as well as regarding the stability of the new Cabinet resulted in heavy offerings of francs against sterling. The spot franc rate advanced sharply from the previous close of frs. 128.05 to frs. 132.68 on the 19th and frs. 135.00 on the 22nd. The discount on three months' forward francs

simultaneously widened from frs. 3 .93 to frs. 6 .25, but on news of the Finance Minister's proposed scheme of economies declined to frs. 5 .25 on the 20th but widened again at the close to frs. 5 .875. The belga fluctuated between 29 .61¾ and 29 .49¼ and the guilder between 9 .02-13/16 and 9 .01⅛. The Italian lira opened at 94 .36 and closed at 94 .70. The Shanghai dollar and the Yen were virtually pegged around 1*s.* 2¼*d.* and 1*s.* 2*d.* respectively.

Large Fluctuations in dollar.

During the last week, there were considerable fluctuations in the sterling/dollar cross-rate. The rate, after opening at $4 .98 .15, declined to $4 .96 .50 on heavy buying of dollars following the news that judicial reform would not affect the Supreme Court, but towards mid-week, on renewed offering of dollars on Continental and Japanese accounts the rate declined to $4 .98 .37. At the close, the rate improved slightly to $4 .97 .77. The premium on three months' forward dollars increased from $1 .38 to $1 .48. Dealings in francs were smaller during this period and the sterling/franc rate, after opening at frs. 133 .18, fluctuated within a range of 20 centimes and closed at frs. 132 .82. The discount on three months' forward francs, which had widened over the week-end from frs. 5 .875 to frs. 7 .375, narrowed to frs. 4 .125 on the French Control bidding for forward francs against spot. The belga fluctuated between 29 .59½ and 29 .50½, the guilder between 9 .03⅜ and 9 .00⅝ and the lira between 94 .67 and 94 .40. The Shanghai dollar and the Yen were held rigidly at 1*s.* 2¼*d.* and 1*s.* 2*d.* respectively throughout the week.

Sterling appreciates against dollar.

During August, sterling continued to appreciate in terms of dollar mainly on account of heavy offerings of the dollar on Eastern and New York account. The sterling/dollar cross-rate, rose to $4 .99 .40 by mid-month, declining to $498 .12 in the third week. The French exchange was very steady and on balance there was very little variation. The belga oscillated between 29 .63 and 29 .56½, the guilder between 9 .03⅜ and 9 .02⅛ and the lira between 94 .67 and 94 .85. The Shanghai dollar and the Yen were unchanged at 1*s.* 2¼*d.* and 1*s.* 2*d.* respectively.

Dollar appreciates on commercial demand.

Early in September, the dollar ruled firm in terms of the sterling and the rate, after opening at $4 .98 .15, declined to $4 .94 .82 on small commercial demand and Continental offering of sterling against dollar. The premium on forward dollars narrowed to $1 .21 towards the close. The franc was again subject to a bear raid and the French Control allowed the franc to rise. The quotation for spot gradually advanced to frs. 138 .81, at which level it was maintained until the 14th by occasional intervention of the French Control. On the 15th, the French Control withdrew from the market and the rate rose sharply to frs. 147 .12. Towards the close, the Control was again operative and the rate declined to frs. 146 .93. Increasing nervousness regarding French financial position was also reflected in the discount on three months' forward francs which widened from frs. 5 .06 to frs. 7 .625, but closed at frs. 6. As a result of heavy flight of capital from France and the consequent demand for spot dollars as against forward, the premium on three months' forward dollars declined from $1 .15 to $0 .91. The belga fluctuated between 29 .45 and 29 .35, the guilder between 9 .00-1/16 and 8 .98-1/2 and the lira between 94 .15 and 93 .95. The Shanghai dollar moved between 1*s.* 2 15/32*d.* and 1*s.* 2 3/4*d.* while the Yen stood unchanged at 1*s.* 2 1/32*d.*

Bear raid on franc.

The weakness of the French franc continued during the last week of September. While the spot rate was maintained by the intervention of the Control between 144.00 and 145 francs to the pound, the discount on three months' forward francs widened sharply from frs. 7 .25 to frs. 10 .25 on the 29th. At the close, however, the discount narrowed to frs. 9 .375 as a result of an unofficial embargo on forward dealings in francs except for genuine commercial transactions.

Discount on forward francs widens.

Uneasiness regarding the French currency situation however, still persisted and was reflected in the sterling/franc relationship during the first week of October. The London/Paris cross-rate, after opening at frs. 144 .56, advanced as high as frs. 152. At this level, the Control intervened and the rate was pushed back to frs. 149 .96. The discount on forward francs sharply widened to frs. 12 during the earlier part of the week, but later eased off to frs. 7 .250 on the presentation of the French budget in the Chamber.

Franc weakens.

Discount on Forward Francs widens.

In the next two weeks, the French currency displayed strength partly as a result of bear covering and partly due to repatriation of French capital. The sterling/franc rate declined from frs. 150 .91 to frs. 146 .22 and the discount on forward francs also narrowed considerably from frs. 7 to frs. 3 .125. There was comparatively little doing in the dollar market and the sterling/dollar rate, after opening at $4 .95 .40, kept around this level throughout the week, closing a little higher at $4 .96 .12. The belgas moved between 29 .45 and 29 .39 and the guilder between 8 .97-7/8 and 8 .95-3/16, while the Italian lira oscillated between 94 .22 and 94 .10. The Shanghai dollar fluctuated between 1*s.* $2\frac{3}{64}$*d.* and 1*s.* $2\frac{3}{32}$*d.* and the Yen remained stationary at 1*s.* 2*d.*

Franc improves.

Dollar steady.

In the last week of October, the franc became once again susceptible to bear attacks owing to labour troubles in France which encouraged renewed short-selling. The sterling/franc rate rose from frs. 146 .28 to frs. 148 .93. The discount on forward francs widened to frs. 6 .625; but, towards the close narrowed to frs. 5 .125. The dollar was remarkably steady however, the sterling/dollar rate ranging between $4 .95 .55 and $4 .95, while the premium on forward dollars was almost unchanged around $0 .75. The guilder remained stationary around 8 .95-7/8, while the belga firmed up from 29 .38-1/4 at the opening to 29 .34-1/4 towards the close. The Italian lira opened at 94 .15 and was maintained around 94 .10. The Shanghai dollar moved between 1*s.* $2\frac{3}{32}$*d.* and 1*s.* $2\frac{3}{64}$*d.*, while the Yen continued unchanged at 1*s.* 2*d.*

Recovery proves temporary.

Early in November, the dollar appeared to have changed places with the franc. The dollars were sold heavily on Continental account and the sterling/dollar cross-rate advanced from $4 .95 .70 to $4 .97 .87. The reported large shipments of gold from the United States of America to France were largely responsible for the weakness of the dollar. The premium on three months' forward dollars, however, was almost unchanged around $0 .71. The franc ruled steady. The discount on forward francs gradually narrowed from frs. 5 to frs. 3 .81. The belga again showed a hardening tendency, the

Dollar weakens on large gold shipments to France.

rate moving from 29 .38 to 29 .31-3/4. The Italian lira oscillated between 94 .60 and 94 .22, while the Shanghai dollar and Yen were virtually pegged around 1*s*. 2¼*d*. and 1*s*. 2*d*. respectively.

New York/ London cross-rate continues easy on apprehensions of devaluation.

The weakness of dollar continued during the early part of the second week of November and the sterling/dollar rate touched $5 .03. At the higher level, there was considerable profit-taking and the Control intervened, forcing the rate back to $4 .98 .77. Apprehensions regarding further devaluation of the dollar which caused considerable shipments of gold from New York to Paris and other Continental centres were responsible for the early weakness of the dollar. Such fears, however, proved transitory and the dollar soon recovered in terms of sterling and other currencies. The franc again showed remarkable steadiness and the sterling/franc rate was maintained around frs. 147 .25. Further the discount on forward francs declined from frs. 3 .43 to frs. 2 .875. The guilder moved between 9 .04-5/16 and 9 .00-11/16, while the belga cheapened from the opening level of 29 .33-1/4 to 29 .39-1/4.

Dollar active in London market.

In the middle of November dollars were again sold heavily on Continental account against purchases of gold in the London market. The sterling/dollar cross-rate advanced consistently from $4 .98 .80 to $5 .01 .80. On American and speculative purchases, however, the rate declined to $4 .99 .95.

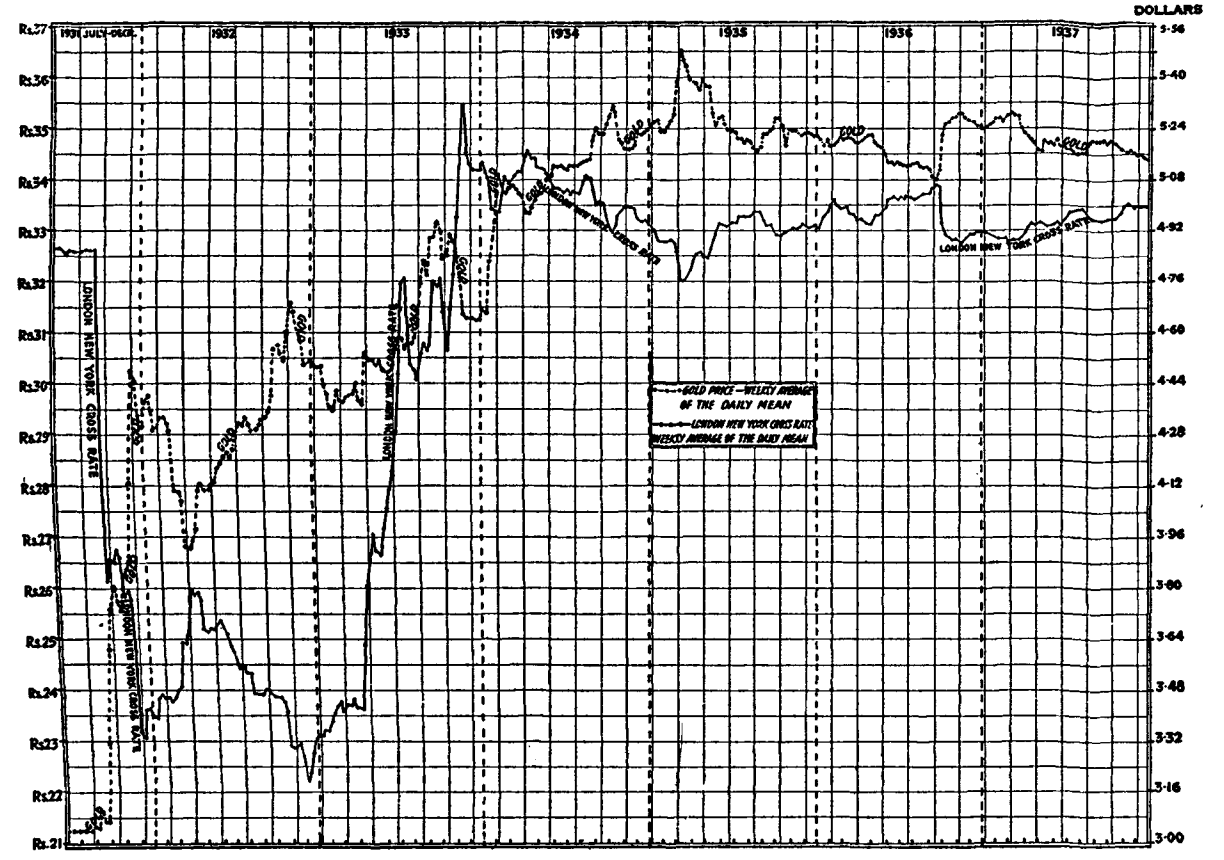
Sterling depreciates somewhat.

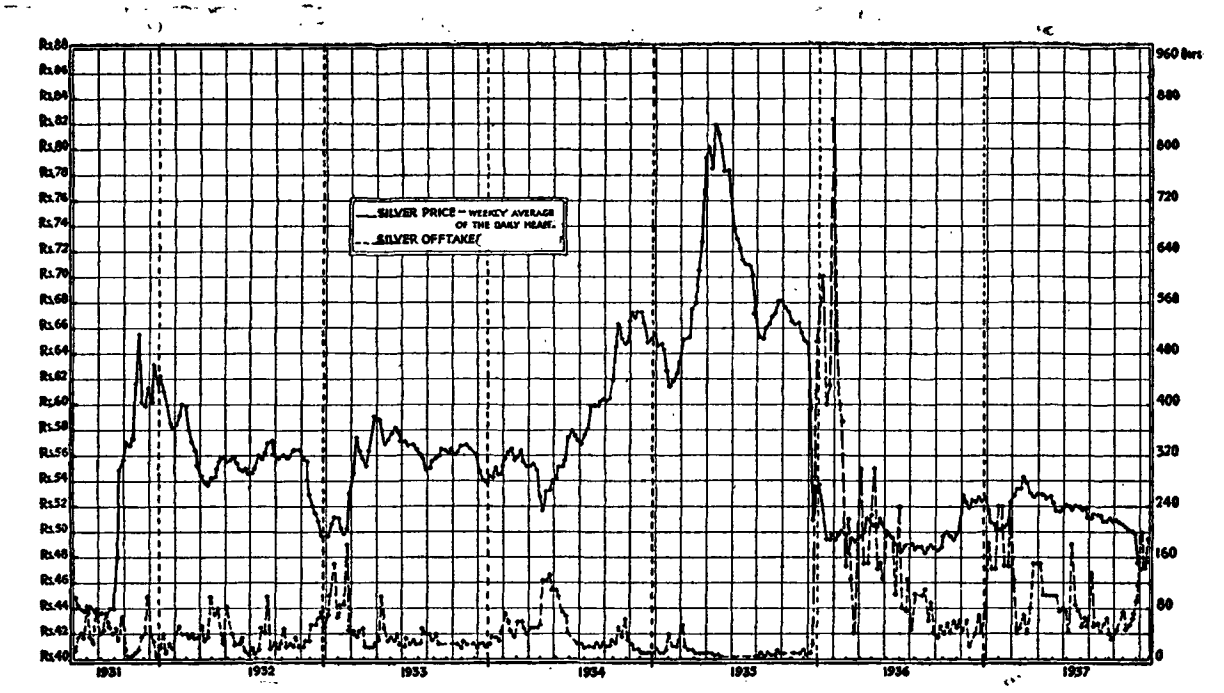
The dollar and the franc both appreciated somewhat in terms of sterling during the last week of November. The sterling/dollar rate declined from $5 .00 .85 to $4 .99 .50, while the premium on forward dollars veered around $0 .73. The franc opened at 147 .35 and steadily firmed up to 147 .10. Forward francs were in demand and the discount on three months' forward delivery narrowed from frs. 3 .5 to frs. 2 .28. The guilder showed a weakening tendency to 9 .02-5/8, but later firmed up to 8 .98-9/16. The belga after touching 29 .41-3/4, closed at 29 .37-1/4. The Italian lira fluctuated between 95 .12 and 94 .95. The Shanghai dollar and Yen remained pegged around 1*s*. 2¼*d*. and 1*s*. 2*d*. respectively.

Foreign Exchanges dull.

Throughout December, the foreign exchange market in London ruled quietly steady and there were no movements of importance in any currency. The sterling/dollar rate ranged between $4 .99 .75 and $4 .98 .62. The franc was virtually maintained around 147 .10. Forward francs were more in demand and the discount on three months' forward delivery narrowed from frs. 2 .56 and frs. 2 .18. Towards the close however, selling of forward francs was again in evidence and the discount widened to 4 .060. The guilder fluctuated between 8 .98-5/8 and 8 .98-1/8 and the belga between 29 .38-1/8 and 29 .34, while the Italian lira cheapened from 94 .95 to 94 .75.

PRICE VARIATIONS IN GOLD, SILVER AND T. T. LONDON ON NEW YORK 1932 - 1937





N.B.—In the above charts each line represents variations in the weekly averages of the daily mean rate for spot. Silver offtake line represents the daily average for the week.

GOLD.

Narrow fluctuations in gold.

The Year opened with narrow fluctuations in the price of gold, the quotation ranging between Rs. 35-0-9 and Rs.34-15-3, and the banks bought a fair amount both for near and forward deliveries. On the re-opening of the Bombay Mint after the Xmas holidays nearly 2½ lacs of tolas were minted. This went a long way to ease the spot situation and the backwardation of 6 pies between spot and February settlement was wiped off.

Local market rules over parity.

In the middle of January, again the spot situation was a bit tight. Owing to shortage of supplies of ready gold and comparatively small arrivals from up-country, which averaged 12,000 tolas a day, the local market ruled over export parity throughout the major part of the third week. The volume of fresh business for export was very small. The price of ready gold advanced from Rs.35-0-9 and Rs.35-1-9 (22nd) in sympathy with the sterling/dollar cross-rate. March settlement gold was quoted at 3 pies under spot and February settlement. Stocks on hand were depleted to 25,000 tolas and the daily offtake was about 2,000 tolas.

Movements small.

With the approach of the settlement, the majority of business in gold during the last week of January was confined to carry over transactions. Some fresh business for export was practicable, but it was mostly done for deliveries during the second half of March. The quotation for ready ranged between Rs.35-1-9 and Rs.35-1-0, but towards the close, the quotation firmed up to Rs.35-2-9 (29th) in sympathy with the depreciation of sterling in terms of the dollar. There was no change in the quotation for March settlement. Stocks on hand were unchanged at 25,000 tolas, but the daily arrivals were a shade better at 15,000 tolas. The daily offtake also improved to 3,000 tolas. In London, the price of gold, after fluctuating between 141*s.* 9½*d.* and 141*s.* 8½*d.*, improved and closed at 141*s.* 11*d.*

Price advances.

Consequent upon the firmness of the dollar both in terms of sterling and the French franc, the quotation for ready gold moved up from Rs.35-2-0 to Rs.35-3-3 in the first week of February. There was some enquiry from banks for forward gold for export and a small amount of business was done at the prevailing rates. Movements in the local market were in consonance with the fluctuations in the cross-rates. There was no change in the stock situation, and the daily offtake and the daily arrivals from up-country also continued unchanged.

Further improvement in price.

The persistent firmness of the dollar to $4.88-5/8 in terms of sterling was responsible for a sharp advance in the quotation for ready gold from Rs.35-3-3 to Rs.35-5-6 during the early part of the second week. At the higher levels, banks were reported to have sold in this market. On improvement in the sterling/dollar cross-rate to $4.89-9/16 the quotation for ready gold reacted to Rs.35-4-9 and gradually declined to Rs.35-2-0. Daily arrivals had declined to about 12,000 tolas.

Steady conditions prevail.

During the remainder of the month fluctuations in the quotations for ready gold were governed by the movements in the sterling/dollar cross-rate. The quotation ranged between Rs.35-2-9 and Rs.35-3-9. Fresh business for export of gold was restricted owing to smaller arrivals from upcountry averaging about 12,000 tolas a day.

There was a temporary flutter in the gold market prior to the publication of the General Budget on unfounded rumours of a possible export duty on gold. This caused nervous selling and the price dropped to Rs. 35 (27th). Dealers, however, did not give credence to this report and there was an immediate recovery to the opening level of Rs.35-3-9. Meanwhile, the stock situation had improved and stocks on hand were estimated at about 50,000 tolas while the daily offtake averaged about 3,000 tolas.

Marked improvement in rates.

March saw a marked improvement in the quotation for ready gold from Rs. 35-3-9 to Rs.35-5-0 (5th) in consonance with the firmness of the dollar. The firmer tone in the market received a fresh impetus on rumours of a further devaluation of the French franc. Large speculative buying and purchases of call options forced the rate of ready gold up to Rs. 35-7-6 (6th). Later, however, owing to the intervention of the Exchange Equalization Funds, the dollar/sterling rate, which had improved to $4.87-11/16, declined to $4.88-3/8 and the French franc, after touching frs. 107.93, reacted to frs. 106.58. The price of gold in the local market consequently declined to Rs. 35-4 (9th).

Fluctuations narrow again.

During the second week of the month, fluctuations in the price of gold were narrow, the quotation ranging between Rs. 35-4-0 and Rs. 35-3-9. Fresh business for export was limited owing to paucity of supplies. During the second half of the month the price of gold was stationary at about Rs. 35-4. Towards the close of the month, however, the rate eased to Rs. 35-2-9 following an improvement in sterling in terms of the dollar. There was a fair enquiry for export, but the turnover was small. Stocks on hand were still unchanged, whereas the daily arrivals had declined to 10,000 tolas.

Sharp fall in price of gold on "gold scare."

Following the appreciation of sterling in terms of dollar as a result of large shipments of Russian gold to America necessitating the sale of the latter currency, the price of gold fell sharply from Rs. 35-2-9 to Rs. 34-10-0 for ready in the first week of April. Moreover, rumours in the London market on Wednesday, the 7th of April 1937, concerning a change in the monetary policy of the American Government affected adversely the price of gold despite official denials. In London, the quotation for gold persistently declined from 142*s.* 1*d.* to 141*s.* 7*d.* There was a nervous feeling in all the principal markets and the repercussions of this were fully felt in the local market. There was a considerable selling pressure and the turnover was large, being chiefly of a speculative character. Banks bought a considerable quantity of ready gold during the early part of the week and a moderate turnover transpired for forward towards the close when the quotation improved to Rs. 34-14.

Nervous feeling continues.

Price improves; spot gold commands a premium.

The 'gold scare,' however, died hard and the price of gold in the local market, during the second week of April, followed the London fixing rate which was at a discount against the dollar for the time. The price of ready opened at Rs.34-10-3 and gradually improved and closed at Rs. 34-15-6 (15th). There was, however, nervous liquidation in the local market again with considerable option selling, which kept the price under parity most of the time. A large amount of business was done particularly for forward on account of

banks. Spot gold was not freely offered and was quoted at a premium of 2 to 3 annas over June/July deliveries. The commitments of the market to banks, during the period, were comparatively large and stocks on hand were no more than 75,000 tolas.

Market easier again.

The market ruled easier during the subsequent week following the strength of sterling. The price of ready dropped from Rs.34-15-6 to Rs.34-12-0 (21st). Export business was comparatively small, and was largely for forward delivery. The stock situation remained pretty acute and ready commanded a premium of 3 annas over June and July settlements. Arrivals from up-country were estimated at about 10,000 tolas a day and the daily offtake continued at 1,500 tolas.

Weak tone prevails.

A weak tone was again manifest during the last week of April following renewed rumours of a possible change in the official price of gold by the U.S. Treasury. There was considerable selling on option and bear accounts, and despite a fair amount of purchases by banks, the tone of the market showed no improvement. The price for forward gold slumped to as low as Rs.34-2-0 (29th), but improved towards the close to Rs. 34-6-0. The position appeared very uncertain pending the clarification of the situation in all the important markets. There was no change, however, in the stock situation or in the daily offtake in the local gold market.

British Equilization Fund buys gold in open market; rates improve.

Reports from London to the effect that the British Exchange Equalization Fund bought gold in the open market during the first week of May had a steadying influence. Confidence was restored to a certain extent and movements in the foreign exchanges were comparatively small. Fluctuations in the price of gold in the local market were also narrow during the first half of May, the rate for ready ranging between Rs.34-12-9 and Rs.34-9-9. The volume of fresh business for export was small. In view of the technical position of the market, however, the backwardation persisted.

Heavy offerings of gold in London on Continental account; prices decline.

In the third week of May, scares about a change in the American price of gold emanating this time from the Continent resulted in heavy offerings of gold in the London market. The Control intervened and absorbed bulk of the offerings. But the unsettled conditions in the London market coupled with large sales of put options for the July settlement resulted in a sharp decline in the local market. The quotation for spot dropped from Rs. 34-9-3 to Rs. 34-3-6 (15th). Heavy selling for July settlement against option sales increased the backwardation between June-July settlements from 1 anna 3 pies to 3 annas 3 pies, and spot was quoted at a premium of 6 pies over June settlement. Earlier in the week, there was practically no business in connection with export of gold. Towards the close, however, some enquiry for forward deliveries was in evidence. The price of gold improved to Rs.34-10-3 (20th). Stocks of ready gold approximated 50,000 tolas and arrivals from up-country averaged 12,000 tolas a day.

Steadier tone in market.

During the last week of the month gold was comparatively steady around the previous close of Rs.34-10-3. Towards the end, however, on reports from London that gold was being bid up in that market to parity with the American Treasury price of 35 dollars by official support, the price of ready gold in the local market advanced

sharply to Rs.34-12-6 (27th) on bear covering. The backwardation on July settlement quotation which declined mid-week from 3 annas 3 pies to 2 annas 3 pies, increased again to 3 annas 6 pies at the close. Stocks of ready gold had dwindled to 25,000 tolas and arrivals from up-country were no more than 10,000 tolas a day. The daily offtake declined to 1,500 tolas.

Heavy offerings of gold continue in London.

June witnessed persistent bear raid on gold and the quotation for July settlement, in the first week of the month, declined from Rs.34-9-3 to Rs.34-6-9. The bears were accentuated by continued heavy offerings of gold at the fixing in London where 'official source' had to absorb gold worth about £8,475,000 out of a total amount worth £9,185,000 offered during the week. The bear squeeze was at its highest on the last day of settlement business, when June settlement was quoted at Rs.35-2-6, or a premium of approximately 7 annas 6 pies over July settlement. At this premium, the market was able to obtain some cold storage gold which enabled dealers to tide over the settlement commitments. Smaller arrivals from up-country, which averaged some 8,000 tolas, continued to maintain the premium on spot at 3 annas over August settlement.

President Roosevelt announces no change in gold policy.

Following the announcement by President Roosevelt that no change in the American gold policy was contemplated, gold prices rallied from the previous close of Rs.34-7 to Rs.34-10 in the second week of June. In London, the quotation moved sharply from 140*s.* 3½*d* to 140*s.* 8½*d.* The President's re-assuring statement tempted arbitrageurs to come into the market and bid up gold in London to about 1½*d.* under shipping parity to New York as against a discount of 7½*d.*, which was recorded on June 3rd. Spot gold commanded a premium of 1 anna 3 pies over July and 3 annas over August settlements. This backwardation resulted in some business for export for forward deliveries. Stocks on hand in the local market improved to about 75,000 tolas.

Slight fall in price of gold.

In the middle of the month, the price of gold declined in sympathy with the sterling/dollar cross-rate to Rs.34-10 from the previous close of Rs. 34-12, which was at a premium of 1 anna 6 pies over July and 2 annas 9 pies over August settlements. On some buying by arbitrageurs, the price of ready gold improved to Rs.34-11 (16th). There was some business in connection with export of gold for delivery during August and this was responsible for the lower backwardation. This in combination with the report from Holland to the effect that in future free export of gold and gold coins from that country was to be permitted caused a decline in rates in the local market, spot gold being quoted at Rs. 34-10 and July and August settlements at Rs. 34-9-9 and Rs. 34-7-6 respectively.

Big premium on spot gold.

With the approach of the settlement, the shortage of spot gold was keenly felt by the market and the backwardation between July and August settlements widened from the opening quotation of 2 annas 9 pies to as high as 5 annas 3 pies during the third week of June. At higher levels, holders of July settlement gold were tempted to extend their contracts to August settlement and the backwardation declined to 4 annas 6 pies. The price of spot gold declined from Rs.34-11-0 to Rs.34-10-3 early in the week following the fall of the French Government. Shortage of supplies, however, soon forced the rate up to Rs. 34-14-3.

Steady conditions prevail.

With the passing of the settlement in the last week of the month, the premium on spot gold declined considerably. The quotation for ready, which opened at Rs.34-14-6, gradually declined to Rs.34-10-6. August settlement was quoted at 1 anna and September at 3 annas under spot. There was some re-selling by the banks at the higher levels, but practically no fresh business for export was reported. Towards the close, the market was a shade easier in sympathy with the sterling/dollar cross-rate. Spot was quoted at Rs.34-9-9, August settlement at Rs.34-9-3 and September settlement at Rs.34-7-0. Stocks on hand were unchanged at 50,000 tolas and daily arrivals averaged 10,000 tolas.

Narrow movements in gold.

Gold was comparatively in the background during the first week of July and prices moved in consonance with the narrow variations in the sterling/dollar cross-rate. The quotation for spot, after opening at Rs.34-10-9, declined to Rs.34-8-9 on the 7th and closed at Rs.34-10-9. August settlement was quoted at 6 pies and September at 2 annas 9 pies under spot. Fresh business for export was small and the turnover was, on the whole, restricted. The price of gold in London remained steady around 140*s.* 6*d.* early in the week, but receded to 140*s.* 1½*d.* in sympathy with the sterling/dollar cross-rate. At the lower level, gold was at 1*d.* premium on shipping parity with New York after a long interval. The rate improved at the close to 140*s.* 4*d.* Stocks on hand were estimated at about 50,000 tolas and the daily arrivals averaged some 8,000 tolas.

Prices rule steady in local market.

Inspite of the depreciation of the dollar in terms of sterling and the consequent decline in the London price of gold during the second week of July, prices in the local market remained steady. Spot gold opened at Rs.34-10-9, and after declining to Rs.34-9-3, reacted and closed at Rs.34-9-6. The backwardation between spot and September, which was 2 annas 9 pies at the close of the previous week, narrowed during the period under report to 1 anna 9 pies, resulting in August settlement being quoted at Rs.34-9-6 and September at Rs.34-8-0. Fresh business in connection with export was restricted, dealers being reluctant to sell for forward deliveries in view of the progressively narrowing backwardation. The price of gold in London declined from 140*s.* 5½*d.* to 139*s.* 11*d.* on the 13th, but improved and closed at 140*s.* 1½*d.* At that level, gold was again at a premium of 1*d.* over the London/New York arbitrage parity.

Fluctuations narrow.

The third week of July was a short-working week for the local bullion market. The continued depreciation of the dollar in terms of sterling and the decline in the London price of gold from 140*s.* 1½*d.* to 139*s.* 6½*d.* had no repercussions on the local gold market which kept remarkably steady. Spot gold, after opening at Rs. 34-9-6, advanced to Rs. 34-10-3 on the 16th but reacted to Rs.34-9-3. The backwardation between August and September settlements declined from 1 anna 6 pies to 1 anna mid-week, but was again quoted at 1 anna 6 pies towards the close as a result of the market being short against options after the option settlement of July 21st. There was some re-selling by banks for near deliveries, which helped to keep down the backwardation. The volume of fresh business for export was very restricted.

A further depreciation of the dollar in terms of sterling was responsible for a decline in the local gold price during the last week of July. Spot gold, after opening at Rs. 34-9-3, advanced to Rs. 34-10-6 on the 24th, but declined to Rs. 34-7-9 and closed at Rs. 34-8-9. With the passage of the August settlement, however, there was considerable reduction in the bear position and consequently the backwardation came down to 1/2 anna. September settlement was quoted at 3 pies under spot and October at 9 pies under spot. Some business for export was reported for deliveries during the first half of September. The price of gold in London moved in sympathy with the sterling/dollar rate and after opening at 139*s.* 10*d.* advanced to 140*s.* 0½*d* on the 24th but declined to 139*s.* 6½*d.* and improved at the close to 139*s.* 9½*d.* Stocks on hand had improved to 75,000 tolas and the daily arrivals averaged some 10,000 tolas. The daily offtake was unchanged at 1,000 tolas.

Prices decline.

The gold market was quieter in consonance with the sterling/dollar cross-rate during the first three weeks of August. There was a good demand for forward gold, but the offerings were small owing to paucity of supplies and restricted turnover in the market. Spot gold ranged between Rs. 34-8-6 and Rs. 34-7-6. The price of gold in the London market gradually declined from 139*s.* 8½*d.* to 139*s.* 3-1/2*d.* Stocks on hand had decreased to 50,000 tolas, whereas the daily arrivals improved to 12,000 tolas. Spot sovereigns which had been neglected hitherto were in good demand now and were quoted at a premium of 2 annas 6 pies as against one month's forward delivery. Spot sovereigns were quoted at Rs. 22-2-6 and forward at Rs. 22-0-0.

Quiet tone continues.

Good demand for sovereigns

The quotation for spot gold improved to Rs. 34-9 in the middle of the last week of August partly in sympathy with the movements in the sterling/dollar cross-rate and partly due to the widening of the backwardation owing to the incidence of the settlement. October settlement gold, which was quoted at a discount of 9 pies under spot, showed a discount of 1 anna 6 pies under spot on the 24th. There was some enquiry for forward gold for export, but the volume of business transacted was small. The estimated stocks in the local market were about 75,000 tolas and the daily arrivals averaged some 10,000 tolas. Spot sovereigns, after opening at Rs. 22-3-0, declined to Rs. 22-2 at the close. Forward sovereigns were quoted at 2 annas under spot.

Market steady.

Towards the close of the month, however, gold prices improved, the quotation for spot advancing from Rs. 34-9 to Rs. 34-11-3 on the 30th in sympathy with the sterling/dollar cross-rate. Small business for export was booked during the week, mostly for delivery during the second half of November.

Prices improve.

Gold was steady to firm in consonance with the sterling/dollar cross-rate during the first fortnight of September. The quotation for spot, after opening at Rs. 34-11-3, advanced to Rs. 34-14, at which level reselling appeared causing the rate to decline gradually to Rs. 34-12-3 (24th). There was, however, a good recovery in the spot-rate to Rs. 34-13-9 the next day. The price of gold in the London market, after opening at 140*s.* 7½*d.*, gradually declined to 140*s.* 3½*d.*, but reacted and closed at 140*s.* 5*d.* There was good enquiry for six

Further improvement in rates.

months' forward delivery gold for export, but the business transacted was very small since prices for the most part kept well above parity. The demand for sovereigns was maintained and the rate for spot was quoted around Rs.22-2-9. Stocks of gold had declined to 50,000 tolas and the daily arrivals averaged some 10,000 tolas.

Demand for sovereigns maintained.

In the third week, however, prices declined sharply in sympathy with the sterling/dollar cross-rate with spot gold at Rs. 34-10 (18th). During the latter part, the rate advanced again to Rs. 34-13 (24th) and the market was over export parity. Only small export business for forward delivery was reported. With the approach of the settlement, the backwardation widened fractionally from 1 anna at the opening to 1 anna 3 pies at the close. The demand for sovereigns was comparatively smaller than during the month of August with the result that the premium on spot sovereigns declined to half an anna. Spot sovereigns were quoted at Rs. 22-2-3, but towards the close the quotation declined to Rs. 22-1-9. Gold stocks in the local market had improved to 75,000 tolas and the daily arrivals averaged some 15,000 tolas. There was no change in the volume of daily offtake.

Prices rule over export parity.

Narrow movements.

Spot gold declined from Rs.34-13 to Rs.34-11-3 on the 25th partly in sympathy with the sterling/dollar cross-rate. Towards mid-week, however, the rate again firmed up to Rs.34-12-6. November settlement gold was quoted 3 pies under spot and December 1 anna under spot, showing a fractional decrease in the backwardation over last week's 6 pies and 1 anna 3 pies respectively. Small business in connection with export was reported for shipment during January and February 1938. In the London market, fluctuations in the price of the metal were small. The demand for sovereigns in local market was meagre, but as a result of good Continental demand for gold coins in the London market and the resultant sharp increase in the premium on sovereigns in that market, the quotation for spot in the local market advanced to Rs.22-3-6. Sovereigns for forward delivery were also quoted at the same rate. Total estimated stocks of gold aggregated 75,000 tolas, while the daily arrivals averaged 15,000 tolas.

Prices decline.

The market was steady throughout the first week of October with minor fluctuations in rates. Owing to persistent enquiry for forward and the big premium quoted in the London market for distant deliveries, the discount in the local market for forward disappeared, and spot and November settlement gold was quoted at almost the same rate. The price of ready gold, after opening at Rs.34-12, gradually improved to Rs.34-13-6, but reacted to Rs.34-12-6 again. The backwardation between spot and December settlement, which was 1 anna in the previous week, contracted to 3 pies at the close. In the London market, gold opened firm at 140*s.* 7½*d.*, but declined to 140*s.* 6*d.* mid-week. Later, there was a sharp recovery to 140*s.* 8*s.* followed by a relapse to 140*s.* 6½*d.* at the close. A large demand for spot gold in London on Continental account was reported early in the week and buyers had to be rationed at the gold fixing. The British Control was reported to have supplied the market freely at the fixed rate after the fixing. Sovereigns were steady, but there was not much business transacted owing to shortage of supplies. The quotation advanced from Rs. 22-3-3 to Rs. 22-4 both for spot and forward deliveries. There was

Steady tone prevails.

Good enquiry for spot in London; buyers rationed.

no change in the stock position of gold in the local market at 75,000 tolas. Arrivals from upcountry averaged 15,000 tolas per day, while the daily offtake was 1,000 tolas.

In the absence of any buying for export, rates tended to sag in the second week. The quotation for spot, after opening at Rs.34-12-6, gradually declined to Rs. 34-11, but recovered to Rs. 34-11-9.

Prices ease somewhat.

November and December settlements were quoted at a premium of 3 pies over spot. It was noteworthy that for the first time after a lapse of about 11 months there was no backwardation. With a slackening demand for forward gold in London, gold in the local market was almost neglected. In London, spot gold after opening at 140*s.* 6½*d.*, declined to 140*s.* 4*d.* in sympathy with sterling/dollar cross-rate. The stocks in the local market had doubled during the period to 150,000 tolas whereas the daily arrivals and the offtake were unchanged at the previous figures.

Stocks increase.

The market was steady during the subsequent two weeks and the movements in prices were in consonance with the fluctuations in the sterling/dollar cross-rate. The quotation for spot ranged between Rs. 34-11 and Rs. 34-12-9. Business, however, was restricted owing to quotations in the local market ruling over export parity for most part. December settlement was quoted at a premium of 6 pies over spot and November settlement. In the London market, the quotation for spot gold ranged between 140*s.* 4½*d.* and 140*s.* 8*d.* The stocks increased in absence of fresh business to 225,000 tolas. Daily arrivals from upcountry, however, were gradually declining and averaged 10,000 tolas a day towards the close.

Market rules steady.

The gold prices displayed an easier trend in sympathy with sterling/dollar cross-rate early in November. There was hardly any speculative enquiry and trading was restricted. The quotation for spot, after opening at Rs. 34-11-9, gradually declined during the week to Rs. 34-9-6. In London, movements in prices were negligible. There was, however, large demand for spot gold which was quoted at a premium of 9*d.* per oz. over the dollar arbitrage parity at the close. Stocks in the local market declined to about 175,000 tolas. There was a little enquiry for sovereigns, the rate hovering around Rs. 22-4.

Easier tone in sympathy with cross-rate.

There was some bear-covering in the London market early in the second week owing to fears of a change in the price of gold by the American Treasury. Dealers were cautious, however, in making fresh commitments. The price of the metal after opening at 140*s.* 6*d.* gradually declined during the week to 140*s.* Locally, the price of spot gold ranged between Rs. 34-8-6 and Rs. 34-10. Sovereigns were in good demand at hardening rates with few sellers, the rate improving from Rs. 22-3-9 to Rs. 22-4-9 both for spot and forward deliveries.

Business small.

A persistent demand for gold in the London market on Continental account kept the sterling price of the metal comparatively steady during the third week. Opening at 140*s.* 4½*d.*, the quotation in London gradually declined to 139*s.* 10*d.* and closed at 140s. The premium on gold as compared with the dollar arbitrage parity steadily advanced from 10*d.* to 14½*d.*, but later declined to 12½*d.* The local market was rather sticky and spot gold, after opening at Rs. 34-9-3, advanced to Rs. 34-10-3, but declined to Rs. 34-8-3 following a sharp advance in the sterling/

Continental demand for gold in London persists; Ready at large premium.

dollar cross-rate from 498.10 cents. to 501.80 cents. Stocks of gold locally were unchanged at about 175,000 tolas, while arrivals from upcountry averaged about 15,000 tolas a day. The daily offtake was some 1,500 tolas.

Moderate export business done locally.

There was good demand for spot gold for export during the last week of November. Business was, however, small owing to local dealers being unwilling to commit themselves for large amounts on account of uncertain world conditions. The local market was steady and the quotation for spot gold ranged between Rs.34-9-3 and Rs.34-8-3. In London, the spot rate opened at 140*s.* 1*d.* and closed lower at 140*s.*, while the premium on gold as compared with the dollar arbitrage parity was unchanged at 13½*d.* throughout the week as a result of strong Continental demand in the London market. Sovereigns were quiet with very little business passing, both spot and forward deliveries ranging between Rs.22-4-6 and Rs.22-5-6. The stock position of the local market was unchanged.

Market maintains steady tone.

Early in December, the local market remained steady with occasional enquiry both for spot and forward for export. Small business was put through for spot and for shipment end of December. The price of spot fluctuated between Rs.34-6-6 and Rs.34-8-3. Fluctuations in the price of gold in London were also confined to narrow limits. The market for sovereigns was dull and uninteresting. Stocks of gold declined somewhat to 100,000 tolas, while daily arrivals averaged some 10,000 tolas.

No change in price.

There was practically no change in the price of gold throughout the second week and spasmodic enquiry for ready for export was in evidence. The market off and on kept near the export parity and small business was put through. In London, the price was stationary around 139*s.* 10*d.* There was good demand for sovereigns in the local market and business was done at Rs.22-6-3 both for ready and forward. Stocks in the local market were unchanged while the arrivals declined to 8,000 tolas a day.

Sovereigns in demand.

Market easier on sale of put options.

In the second half of December, the market was easy despite little change in the London/New York cross-rate. The quotations in the local market had ruled over export parity for the past few weeks, but owing to the sale of put options by some speculators, prices dropped to export parity. The quotation for spot declined from Rs.34-8 to Rs.34-6-6, while February settlement was quoted 3 pies over spot and March 9 pies.

Fair volume of fresh export business.

A fair volume of business was done by banks for export. In London, the quotation for spot gold moved narrowly between 139*s.* 8*d.* and 139*s.* 9*d.* while the premium on gold as compared with the dollar arbitrage parity was stationary around 8*d.* Sovereigns were firm early in the week with good enquiry, but were slightly easier towards the close in sympathy with gold. Opening at Rs.22-7-6, the quotation for both spot and forward deliveries gradually declined and closed at Rs.22-6-6. Stocks at the end of the year were estimated at about 100,000 tolas and arrivals were unchanged at 8,000 tolas. The daily offtake averaged about 1,000 tolas.

SILVER.

The silver market presented a dull appearance at the beginning of the New Year largely owing to the incidence of holidays. On the re-opening of the market in London, there were signs of renewed activity in the local market, the quotation for spot silver opened at Rs. 52-10 but declined to Rs. 52-2, in the first week. March settlement was quoted at a discount of about 10 annas under February and 9 annas under spot. The backwardation was caused chiefly by rumours of a possible rise in the import duty on silver at the forthcoming Budget. The backwardation in London, which was largely influenced by Bombay operations, was 3/16*d.*; it was generally believed that as soon as the demand for spot silver on Indian account fell off, the backwardation in the London market would gradually disappear. Shipments of silver from London were heavy and it was expected that further large shipments would arrive in time for the February settlement. Stocks on hand aggregated 26,000 bars, and taking into account the silver on sea, the total visible supply was reckoned at 30,000 bars. The daily offtake averaged about 75 bars.

Market dull at opening.

Duty rumours.

Heavy shipments from London.

Just at a time when the market was settling down it was reported that some American Treasury Officials were getting tired of the Silver Purchase Programme, and the rumour had it that the Roosevelt Administration was disinclined to continue buying even the American mined silver. This caused nervousness which was accentuated by weaker advices from London, and heavy general selling ensued. The quotation for spot silver dropped to Rs. 50-11 (13th), but improved later on bear covering to Rs. 51-7. The backwardation on March settlement narrowed down to 7 annas under February. Stocks on hand were unchanged but the daily offtake improved to 180 bars, which incidentally included a settlement offtake of nearly 1,000 bars.

Doubts re: American Silver Policy cause prices to fall.

Offtake improves.

In the subsequent week, the tone of the market was on the whole steady though fluctuations in prices were fairly wide. Indian selling in London depressed the spot quotation from 20-$\frac{1}{16}$*d.* to 20-$\frac{3}{8}$*d.* At the lower level, however, bear covering and some purchases by American trade supported the market. Moreover, at the decline India turned a buyer, and consequently the local rate for spot which had dropped from Rs. 51-7 to as low as Rs. 50-5 (20th) improved and closed at Rs. 50-11-6. The backwardation on March settlement narrowed to as little as 1 anna 6 pies in mid-week, though again on speculative sales for that settlement against February settlement it widened to 3 annas. Conditions in the market during the last week of January remained practically unchanged, the movement in prices being narrow.

Market assumes steadier tone.

Erratic changes.

As usual February saw erratic fluctuations in the price of silver following varying rumours regarding the possible change in the import duty in the forthcoming Budget proposals. Large purchases of ready were effected against sales for March settlement with the result that spot was quoted at Rs. 1-4-0 premium over forward

Pre-Budget rumours.

early in the month. The daily despatch of silver by rail to up-country averaged about 240 bars while stock position was maintained unchanged at 30,000 bars. The offtake was largely met by fresh arrivals. The quotation for spot declined from Rs. 50-11 to Rs. 49-12 (3rd) but reacted to Rs. 50-12 at the end of the first week.

During the second week the market was comparatively dull and the premium on spot gradually declined to about 12 annas. The undertone, however, was good on reports of American support in the London market. During the third week, however, the premium on spot showed mercurial variations between 12 annas and Rs. 1-8. The majority of transactions was in the nature of swaps of spot against forward, the volume of open business being restricted. The quotation for ready improved to Rs. 50-8, but declined again to Rs. 50-3. The daily offtake also was lower at 145 bars whereas stocks on hand were augmented to 35,000 bars owing to fresh arrivals.

Mercurial variations in premium on spot.

Large stocks.

With the Budget date getting nearer, dealers were naturally reluctant to extend their commitments and adopted a 'wait and see' policy. The significant feature during the last week of February was a further increase in the premium on ready silver over March settlement to Rs. 1-14. There were, however, wide fluctuations between Rs. 1 and Rs. 1-14 in consonance with the varying rumours. The quotation for ready opening at Rs. 50-3 advanced to Rs. 50-14 (25th) but again receded and closed at Rs. 50-6. There was no change either in the stock position or in the daily offtake at the end of February.

Premium on spot increases.

The imposition of an additional 1 anna per ounce import duty, amounting to Rs. 2-5-6 per 100 tolas, was announced by the Finance Member in his Budget Speech to the Central Legislature on 27th February, and this removed the hesitancy which prevailed in the market during the preceding month. The market seemed almost to have anticipated the change as was evident from the day-to-day operations and the extent of premium on forward. Immediately the price of ready adjusted itself to the increase in import duty in the first week of March. The insurance premium of war risk was increased at this juncture and there was general speculative and option dealer's buying. Furthermore, reports from London indicated shortage of supply and the price of spot silver advanced from 20⅛*d.* to 21⅛*d.* and two months forward from 20⅛*d.* to 21*d.* (4th). The price of ready in the local market rose to Rs. 54 (4th) at which level a fair amount of realising resulted, causing the rate to decline to Rs. 53-1. Stocks continued heavy at 35,000 bars but daily offtake was also better at 220 bars. Firmness in the cotton and gold markets gave a fillip to the bullish feeling in the silver market in the subsequent week and the price of ready advanced to Rs. 53-10.

Additional duty imposed.

Prices advance.

In the absence of support from foreign centres, however, the local market sagged and general liquidation followed. The price of ready dropped to Rs. 52-8 but gradually recovered to Rs. 52-15-6. The weight of the heavy stocks was now being felt owing to slackening of demand from up-country, the daily offtake declining to 125 bars.

Prices decline.

During the latter half of March, the strength in the commodity markets caused a sympathetic rise in silver prices. The quotation for ready advanced to Rs. 54 (16th) but at higher levels profit-taking ensued and the rates receded to Rs. 53. Towards the close there was good response from London where sellers were reserved and consequently offerings were small. The quotation for spot silver in London advanced from $20\frac{9}{16}d.$ to $20\frac{15}{16}d.$ The prices in the local market also were firm and spot silver at the end of March was quoted at Rs. 53-12. The stocks were unchanged at 35,000 bars; the daily offtake dwindled to 40 to 50 bars a day.

Market assumes steadiness.

Offtake dwindles.

Continued rise in commodity prices, encouraging advices from foreign centres coupled with greater interest evinced by Calcutta market, combined to maintain the bullish sentiment in the local market. After the Easter holidays, the tone of the market was buoyant and silver prices during the first week of April soared as high as Rs. 56 (6th) for ready; in London the quotation for spot advanced to $21\frac{1}{2}d.$ As usual, however, at higher level large speculative selling followed and the rates in the local market declined, spot silver sagging to Rs. 52-2 (8th); in London spot silver receded to $21\frac{1}{8}$. The turnover was large but primarily of a speculative nature. Stocks on hand were still heavy at 35,000 bars and the daily offtake averaged 70 bars.

Further advance in quotation.

Profit-taking sets in.

It appeared that the bullish sentiment was overdone and the spurt in prices proved only temporary. In the second week of April, prices declined on selling pressure, ready dropping to Rs. 53-8-6 (15th); in London the quotation declined to $20\frac{13}{16}d.$ Moreover, it was reported that Indian dealers were carrying a heavy over-bought position in London. Stocks on hand were already large at 35,000 bars and the daily offtake was poor at 40 bars.

Bullish sentiment dies out.

The main factor which unnerved the market was the break in commodity prices following rumours from America that Roosevelt Administration contemplated a reduction in the price of gold. The 'Gold Scare' died hard. In the third week of April the tone of the market was uncertain and the prices sagged on further liquidation and also probably on account of the approach of option settlements. Dealers who were generally long on options were liquidating their positions. The price of ready silver first advanced to Rs. 53-10 but then persistently declined to Rs. 52-9 (22nd) and recovered again to Rs. 53. There was some change in the stock position, the amount on hand being estimated at 30,000 bars. The daily offtake had improved to 80 bars. Towards the end of April the local market ruled steady. It was not affected in any appreciable degree by the crisis in other commodity markets and the undertone was on the whole good. The daily offtake had further improved to about 150 bars, and advices from London were also encouraging. Ready silver ranged between Rs. 52-9 and Rs. 53. The quotation in London moved between $20\frac{7}{16}d.$ and $20\frac{3}{16}d.$ for spot.

'Gold Scare' affects silver; Prices decline.

Offtake improves.

The tone of the silver market was steady but quiet during the first week of May. An improvement in the daily offtake to about 160 bars tended to keep the prices stable, but forward business was restricted because dealers were reluctant to sell at lower levels. The price of ready ruled between Rs. 52-11 and Rs. 53.

Steady tone prevails.

The quotation in the London market moved between 20 7/16d. and 20 1/2d. for spot. Stocks in the local market were estimated at this time at about 30,000 bars.

Stocks reduced.

There was practically no change in prices during the subsequent two weeks, fluctuations in the rates being very narrow. The offtake gradually declined during this period to about 100 bars a day. The stocks in the local market were reduced to about 26,000 bars. During the last week of May, however, owing to weaker advices from London and hedge sales by option dealers against sales for double option for the July settlement, the price of ready silver declined from Rs. 53 to Rs. 52-8 (26th) and closed a shade better at Rs. 52-9. The daily offtake was maintained at about 110 bars, while there was no change in the stock position. In London, the price of silver showed little variations; spot silver ranged between 20 3/8d. and 20 1/4d.

Position improves.

There was some improvement in the silver position in the beginning of June and the price of spot advanced from Rs. 52-9 to Rs. 52-13-6 (4th). The reduction in stocks to 25,000 bars was responsible for a reduction in the premium on forward from 3 annas to 2 annas 3 pies, but business was restricted. In the subsequent week, the market showed signs of being overloaded. A sharp drop in the price of raw cotton and a weaker tendency in the stock market resulted in selling by weak bulls and option dealers. The quotation for spot dropped from Rs. 52-13-6 to as low as Rs. 51-11 (10th). There was good support in evidence at the lower levels and the price reacted to Rs. 52-1-6.

Sagging tendency manifest.

In the middle of June, silver prices in the local market showed a sagging tendency. The governing influence was a report from New York that 71 Economists of the U.S.A. had issued a statement denouncing the Silver Purchase Programme. Option dealers and bear speculators sold heavily and this resulted in a sharp decline in prices, spot silver quoting Rs. 51-2 (15th) and July settlement Rs. 51-2-6. On heavy sale by India, the quotation for spot in London dropped from 20*d.* to 19 3/4*d.* (22nd). Towards the close the London market revived somewhat on Chinese and Indian bear covering and the rate improved to 19 13/16*d.* for spot. There was no change, however, in the daily offtake or in the local stock position. Early in the last week of June, there was a flicker of recovery in silver prices on steadier advices from London and the rate advanced to Rs. 51-12. At this level, however, bears were again active and their sales coupled with selling by option dealers hammered the rate down to Rs. 51-5. The market showed good resistance at the lower levels and towards the close, on some bear covering and bull support, the rate advanced to Rs. 51-9. Stocks on hand were estimated at about 24,500 bars, while the offtake averaged about 75 bars a day.

Market fairly active.

The silver market was active during the first week of July, the quotation for spot after opening at Rs. 51-14, declined to Rs. 51-11 early in the week, but firmed up to Rs. 52 (6th) on a press report to the effect that an American Delegation was being sent to Europe to discuss the question of stabilisation and the place of silver in the currency systems of the world. Accordingly, despite weak advices from London at this time the undertone of the local

market remained steady and the price of spot improved further to Rs. 52-6-6. Stocks on hand were estimated at about 24,000 bars while the offtake averaged about 75 bars a day.

Better sentiment prevails.

The sentiment of the market turned definitely bullish in the second week on reports that a joint monetary statement by China and U.S.A. was imminent, with a view to re-affirm the existing Sino-American monetary arrangements regarding the American dollar credits against exchange of Chinese silver. The outbreak of hostilities between China and Japan near Pieping gave further impetus to the bulls. The quotation for spot after opening at Rs. 52-0-6 steadily advanced to Rs. 52-10. At the higher level, however, there was good profit-taking and the market declined to Rs. 51-13 at the close without much business. In London the quotation for spot opened at 20-3/16*d.* and declined and closed at 19-15/16*d.* Stocks on hand were unchanged whereas the offtake averaged only 40 bars a day.

Market becomes dull.

Silver was dull in the third week and the market indicated a downward trend. Spot silver after opening at Rs. 51-13 rose to Rs. 51-15 (17th) in sympathy with a fractional rise in the London price of the metal to 20*d.*, but gradually declined to Rs. 51-9-6, in the absence of fresh buying. At the lower level, some improvement in the demand for spot silver was noticeable and the market reacted to Rs. 51-11-6 on scattered buying. Stocks on hand were estimated at about 22,500 bars with a daily average offtake of about 50 bars. The local market was somewhat surprised by an increase of 1/8*d.* and 1/16*d.* in the London quotations on Saturday, the 24th of July and rate in the local market which showed a declining tendency during the early part of the closing week of July moved up to Rs. 52-1-6 on the 26th. At the higher level profit-taking was again in evidence, but in view of good support forthcoming from London the market closed at Rs. 52-2-6. Stocks at the end of the month were estimated at about 23,000 bars. The daily average offtake had slightly improved to 85 bars.

Prices improve.

Market assumes quiet tone.

In the first week of August the market was quiet following advices from foreign markets. The Sino-Japanese tension did not enthuse operators, and speculators showed very little interest. Spot silver after opening at Rs. 52-1-6 improved to Rs. 52-2-6, but later declined to Rs. 51-14 (4th). In the second week there was no change of consequence, but the trend was on the whole easier. Ready silver declined from Rs. 51-14 to Rs.51-9-6 (10th) in sympathy with a decline in London silver to 19-15/16*d.* Stocks at the close of the week were estimated at about 22,500 bars and the daily offtake at about 50 bars. During the greater part of the remainder of the month, the silver market was idle and the quotation for spot silver ranged between Rs. 51-14 and Rs. 51-11. Towards the close, however, with the incidence of the settlement general liquidation was in evidence. Under selling pressure the market gave way and the rate slumped sharply to Rs.50-12 (25th). Reports to the effect that 180 million dollars worth of silver had been transferred from the interior of China to Hongkong, probably for disposal in the world market, were partly responsible for the selling. Weaker advices from London also encouraged the local bears. At the lower level good support was forthcoming and the rate reacted to Rs.51-2.

Market idle.

Prices tend lower.

Towards the close, however, on easier advices from London heavy general selling again depressed the rate to Rs.50-2 (26th). Option dealers and operators rushed in to sell and spot silver declined to as low as Rs.48-12 (27th). Weaker advices from London where Indian sales were reported to be flooding the market were also responsible for the decline. The next day, however, the market took a sudden turn for the better and the rate advanced sharply from Rs.49-4 to Rs.50-1 at the close. Firmer advices from London where the fixing was up successively by 3/16*d.* and 3/8*d.* for spot and 3/16 and 1/4*d.* for forward on 28th and 30th August gave a fillip to the local market and the rate advanced sharply to Rs.51 (31st). At the higher level there was some profit-taking, which was absorbed by option dealers who were short against their positions. At the close the market was steadier around Rs.50-12-6. Stocks at the end of the month were estimated at about 21,500 bars, with the offtake averaging 135 bars a day.

Market improves.

Stocks reduced.

A steady tone was maintained during the first week of September and there was a further advance in quotations. The price of spot silver after opening at Rs. 50-13 steadily rose to Rs.51-10 (7th). At the higher levels there was not much support in the London market as America refrained from buying. As a consequence there was an easier feeling in the market. In the middle of the month the market ruled dull, price movements being narrow. Ready rate ranged between Rs.51-9 and Rs.51-6-6. In London also movements were very narrow, forward rate being quoted at 19-13/16*d.* during major part of the week. Spot was at a small premium ranging between 1/16*d.* and 1/8*d.* The backwardation was due to the demand for spot silver on American arbitrageurs account while there were re-sales on India account for forward delivery. Stocks in the local market were estimated at about 21,000 bars and the daily offtake averaged some 50 bars.

Steady tone maintained.

The silver market ruled inactive during the first week of October and price changes were only fractional. However, firmer advices from London, where the quotation for spot advanced by 1/8*d.* to 20-1/16*d.* on the 9th of October, provided a fresh impetus and the spot quotation in the local market advanced sharply from Rs.50-13 to Rs.51-4 during the second week. Later, however, on small profit-taking, the market again developed a sagging tendency and the spot rate fell down to Rs. 50-13-6 (13th).

Market inactive but steady.

In the early part of the third week the market assumed a steadier tone in sympathy with London advices, but again declined towards the close on unloading by local bulls owing to the approach of the settlement. The quotation for spot, after opening at Rs.50-13-6, advanced to Rs.51-1, but later reacted to Rs.50-11. The last week witnessed an initial weakness, but latterly there was some recovery in quotations. Spot silver, after opening at Rs.50-10 improved to Rs.50-15. There was a moderate volume of double option purchases effected during the period which was largely responsible for the better tone. Except for a temporary rise in the second week to 20-1/16*d.* for spot and 20*d.* for forward the price of the metal in London fluctuated narrowly between 19-15/16*d.* and 19-7/8*d.*, while forward was quoted 1/16*d.* under spot. Stocks in the local market were estimated at about

Steady tone continues.

19,000 bars owing to absence of any fresh arrivals coupled with some improvement in the offtake which was 45 bars a day.

Small business and market devoid of interest.

The market was devoid of interest and prices fluctuated within a narrow range in the beginning of November. A slightly easier tendency was in evidence afterwards partly as a result of easier London advices and partly due to heavy selling by local speculators. The quotation for spot declined from Rs.51-0-6 to Rs.50-3-6 (5th). In London both ready and forward were quoted at 19-7/8*d.* for most part, though occasionally spot commanded a premium of 1/16*d.* over forward. At the close, the spot rate declined to 19-13/16*d.*, while forward was quoted at 19-3/4*d.*

Weakness develops.

In the second week, the market was definitely easy in the early part following the depreciation of the dollar in terms of sterling which tended to lower proportionately the American buying price in the London market. There was large bear and option selling locally, the price of spot dropping from Rs.50-13 to as low as Rs.49-12-6 (8th). At lower levels, there was good buying enquiry following an improvement in the crossrate from 503 .00 cents to 498 .77. Later there was a better tone manifest and the spot rate gradually advanced to Rs.50-10 (11th). The quotation in London, which had dropped to 19-9/16*d.*, gradually improved to 19-13/16*d.*, while forward ranged between 19-3/4*d.* and 19-1/2*d.* The turnover in the local market was comparatively large and there was some brisk trading after a long lapse. Stocks in the local market were reduced to about 17,500 bars, owing to improvement in the daily offtake to about 60 bars.

Easy tone continues.

Following a sharp advance in the sterling/dollar cross rate from 498 .80 cents to 501 .80 cents on heavy Continental offering of dollars and the consequent decline in the London price of the metal to 19-5/8*d.*, the local price was marked down to Rs.50-0-6 for spot in the third week. The turnover was comparatively small. At lower levels, the market appeared to show good resistance, but on any appreciable rise, profit-taking was in evidence. In London, spot after opening at 19-13/16*d.*, gradually declined to 19-5/8*d.* mid-week, but later improved and closed at 19-11/16*d.* and two months' forward was quoted at a discount of 1/16*d.* under spot upto the 17th of November and later at 1/8*d.*

During the last week of November, silver was a dull market with very little change in prices. The turnover was meagre and little interest was evinced by speculators in this section owing to narrowness of movements. Stocks were continually decreasing in the absence of arrivals and were estimated at 16,500 bars. The daily offtake still gave an average of 65 bars at the end of November.

Market uncertain; trading large with downward trend.

After a comparatively long period of stable conditions in the silver market, weakness developed during the early part of December following various reports regarding the future of silver. The International Silver Agreement reached in 1933 was due to expire at the end of the current year and speculation centred on the question whether it would be continued. Furthermore, it was believed that the American Treasury may consider a reduction in the domestic price of silver since it was no longer in keeping with the market price of the metal. There was a nervous feeling in the local

as well as outside markets and confidence was shaky. The local price of spot silver dropped precipitately from Rs.49-15 to as low as Rs.46-2 (6th), following a sharp drop in the London price of the metal by 1*d.* for spot and 1-1/8*d.* for two months' forward delivery. At the lower level, it was reported that American interests purchased all the silver offered at the fixing in London and were buyers at the same rate in the open market after fixing. There was a good recovery from the lower level on this report and the price in the local market rallied to Rs.47-15-6 (8th). The spot price of silver in London was fixed 5/16*d.* higher than forward which indicated a scarcity of ready contracts in the London market and it was confidently believed that silver would gradually recover to its previous level. In the local market, the demand for spot silver increased considerably following a drop in quotation and it was estimated that nearly 250 bars a day were sent upcountry since the break in prices began. Stocks in the local market were thus reduced further.

Confidence undermined.

Various reports regarding the future silver policy of the American Treasury gained currency during the second week of December and the tone of the market continued erratic. It was generally believed that some changes in the American Silver Policy would be effected, but a change in the foreign buying price was regarded unlikely. However, so long as the uncertainty about the continuance of such price remained, the tone of the market could not improve.

Market remains erratic.

For the first time after a long lapse U.S.A. interests were buyers of forward silver in the London market on Thursday the 16th of December and this helped to restore some of the lost confidence in silver. Owing to the continued good offtake in the local market, which averaged some 200 bars a day, both spot and forward were quoted at the same rate, although there was a budli of 1½ to 2 annas at the previous settlement. Local stocks were accordingly reduced to 10,000 bars. These were not large in view of the considerable speculative position in the Bombay market. The quotation in London dropped from 18-15/16*d.* to 18½*d.* for spot and from 18-11/16*d.* to 18-3/16*d.* for two months' forward, but towards the close the spot rate recovered to 18-11/16*d.*, while forward was quoted at 18-1/16*d.*, *i.e.*, 5/8*d.* lower.

There was no change in the market's attitude in silver and the tone remained erratic throughout the second half of December. Continued buying by American interests in the London market, however, tended to improve the sentiment somewhat and prices remained comparatively stable. The market, however, was by no means confident and awaited with interest the American Treasury's pronouncement on silver to be made on the 31st of December. Price movements were erratic throughout the period and ranged between Rs.46-8 and Rs.47-12. The quotation in London moved between 19-1/16*d.* and 18-3/16*d.* for spot and 18-7/8*d.* and 18-1/8*d.* for forward. Spot commanded a premium of as much 5/8*d.* over two months' forward in London (18th) but towards the close the differential narrowed gradually and stood at 1/16*d.* (29th). Stocks in the local market were estimated at 8,000 bars, while the offtake gave an average of 140 bars a day. The total imports of silver bullion into India during 1937, excluding re-exports, amounted to 53,348,372 st. ounces, valued at Rs. 6·62 crores.

No change in market sentiment.

SHARES.

The local stock market had closed on a buoyant tone and reopened very firm in the new year.

Market opens firm.

The steel group, which had been the centre of attraction, throughout the past year, had lost none of its popularity and considerable influential buying was in evidence. The price of steel manufactures was increasing by leaps and bounds in all markets owing to vigorous rearmament programme by all important nations, and following in wake of the other markets, Tata Iron & Steel Co. also raised prices for their manufactures.

Steels strong.

Local bears were as anxious to cover their commitments as bulls were to extend them. There was a scramble for Tata Steel Co.'s shares with the result that Ordys., which had closed at Rs.247, opened at Rs.300 and Defds. advanced from Rs.950 to Rs.1,182-8. There was a natural reaction at higher levels and profit-takers were busy realising —Ordys. declined to Rs. 275 and Defds. to Rs.1,065.

In sympathy with the steel group, other sections also ruled firm and cotton mill shares came

Good inquiry for Cotton Mill Shares.

in for good inquiry. It was reported that there was good demand for local manufactures and some of the mills had sold their products for immediate and forward deliveries at remunerative rates. Bombay Dyeings opened Rs.170 over the last year's close at Rs.977-8, while Centuries advanced from Rs.168-2 to Rs.238-12. Kohinoors gained from Rs.256-4 to Rs.290; New Greats from Rs.173-12 to Rs.217-8 and Central Indias from Rs.253-12 to Rs.327-8. On profit-taking, however, all the scrips declined somewhat, but the undertone remained good. Hydro-electric shares were easier in sympathy with gilt-edged; Tata Powers declining from Rs.1,646-4 to Rs.1,582-8, recovering later to Rs.1,622-8. Andhra Valleys lost about 20 points to Rs.1,730. Bank shares were unchanged and cements almost neglected. In the miscellaneous group, Bombay Burmas were conspicuous, rising from Rs.578-12 to Rs.630, declining on profit-taking to Rs.607-8. Belapurs and Scindias were slightly easier on profit-taking, the former at Rs.182-8 and the latter at Rs.22-2.

The market remained active during the second week of January and prices advanced further

Scramble for Steel Shares.

under the influence of encouraging advices from foreign markets. Steel prices were reported to have advanced further both locally and in world markets and heavy scrap steel—the important price barometer of the steel industry—was sold at a record price of 20 dollars per ton at Pittsburg. Operators were very enthusiastic and steel shares were eagerly sought after. Tata Ordys. advanced once again to Rs.292 and Defds. to Rs.1,141-4. Cotton mill shares advanced sympathetically and on reports that the Japanese yarn market had suspended trading. Hydro-electric shares, on the other hand, were easier, while bank shares showed little or no change. Cement shares were steady, Bundis advancing from Rs.40-8 to Rs.42 and Indian Cements from Rs.542-8 to Rs.558-12. Bombay Burmas continued their popularity and were marked up 50 points to Rs.648-12.

In the third week, the market assumed an irregular tone and there was a general recession

Profit-taking in evidence; prices recede temporarily.

in rates, largely induced by profit-taking. Practically, all the gains of the previous week were lost. In the last week of January, however, the market witnessed another period of hectic trading, more particularly in the iron and steel section. There were violent fluctuations, but the closing rates were well over those of the

previous week. Tata Iron Ordinarys did not advance in the same proportion as Deferreds, the latter touching Rs.1,270, while the former did not go over Rs.300 level. There was a small reaction at this level, Deferreds declining to Rs.1,260 and Ordinarys to Rs.291. Cotton mill shares were steadily maintained and the volume of business transacted was not large in this section. Bombay Dyeings, after touching Rs.915, reacted to Rs.895, while Centuries, after being firm at Rs.231-4, finished at Rs.218-12. Hydro-electrics continued their lethargic tone, except Tata Powers, which were easy following a sale in the open market of over 1,000 forfeited shares by the Company. The quotation declined to Rs.1,550.

Sharp advance in Steel prices.

The first week of February witnessed yet a further rise in steel shares, particularly in Deferreds which advanced to Rs.1,402-8. Ordinarys on the other hand improved but slightly to Rs.307. Cotton mill shares were neglected and inclined to be easier following reports of decreased offtake of local manufactured cloth. Hydro-electric advanced in sympathy with stronger gilt-edged, and Tata Powers touched Rs.1,610. Andhra Valleys improved to Rs.1,745 and Tata Hydros to Rs.190-10. Following questions in the Legislative Assembly on the position of the Railways with regard to the consumption of electric energy, however, Hydro-electric shares all declined, Tata Powers to Rs.1,545, Andhra Valleys to Rs.1,722-8 and Tata Hydros to Rs.188-2. There were no changes of note in other sections.

Hydro-electrics improve but decline again.

Wide fluctuations in Steel prices.

The tone of the market during the remainder of February was irregular and hesitant, there being spasms of vigorous buying followed by equally strong periods of profit-taking. The publication of the White Paper by the British Government on the armament programme in mid-February indicated strength in shares of base metals and commodities and accordingly there was good buying of steel and copper shares. After fairly wide fluctuations, the market closed on a steady tone at the end of February. Tata Deferreds after touching the lower level of Rs.1,270, firmed up to Rs.1,417-8. Movements in other sections, however, were comparatively small, except Hydro-electrics, which were easy in sympathy with gilt-edged. Tata Powers declined to Rs.1,460, partly for above reason and partly because of the reduction of Rs.2-8 in the interim dividend. Andhra Valleys and Tata Hydros, despite the declaration of the usual dividend, declined, the former to Rs.1,675 and the latter to Rs.183-2. In the miscellaneous section, Belapurs were weak, quoted at Rs.165 on rumours of an increase in the excise duty on sugar in the impending Government of India Budget.

Hydro-electric easy.

Sugar Shares weaken.

Iron and Steel famine cause prices to soar.

The rearmament programme had continued at a faster pace since the beginning of the year throughout Europe and America and its effects were now beginning to be fully felt in the steel market. There was a world-wide iron and steel famine and to encourage foreign imports, the British Government abolished the import duty on pig iron and reduced the duty from 20 per cent to 10 per cent on steel manufactures. The labour troubles which had affected the American steel industry for some time were now over and this was an additional bull factor. The uncertainty of a possible change in the excise

duty on steel manufactures in the forthcoming budget had served as a check on local quotations, but this being now removed—the Budget proposals revealing no such change—there was a mad rush to buy steels early in March and these were difficult to obtain except at fancy prices. Tata Deferreds registered a spectacular rise of 460 points during the week, touching Rs.1,890, while Ordinarys moved up by nearly Rs.100 to Rs.394. A natural reaction followed the big rise, Deferreds declining to Rs. 1,805 and Ordinarys to Rs. 376.

Spectacular rise in Tata Steels.

The cotton mill group was not slow to follow the lead given by steels and in some cases record high prices were reached. Bombay Dyeings touched the thousand rupee mark, while Centuries gained 35 points to Rs.230 and Central Indias gained 40 points to Rs.300. At higher levels, profit-taking ensued, Bombay Dyeings declining to Rs.970, Centuries to Rs.217-8 and Central Indias to Rs.292-8.

Cotton Mills rise sympathetically.

Among Hydro-electrics, Tata Powers advanced sharply on bear covering and touched Rs. 1,495, while Andhra Valleys and Tata Hydros were almost unchanged at previous levels. Cement shares which were almost neglected since the beginning of the year were marked up on general speculative buying; Bundis shot up by 5 points to Rs.45, Indian Cements advanced from Rs.533-12 to Rs.597-8, Katni Ordinarys from Rs.385 to Rs.442-8 and Katni Deferreds from Rs.2,325 to Rs.2,625.

Tata Powers recover; Cements advance sharply.

Sugar shares on the other hand were weak following the imposition of additional excise duty of 11 annas per cwt., making it to Rs.2, with effect from 1st April 1937. Belapurs declined to Rs.161-4, recovering later to Rs.170 in sympathy with other sections. In the miscellaneous section, Bombay Burmas were still the most popular scrip and registered an advance of nearly 60 points to Rs.695, while Shivrajpurs moved up 10 points to Rs.57. Scindia Steams moved between Rs.21-15 and Rs.24-12.

Excise duty increased on Sugar.

During the remainder of March, the market continued its upward trend marred only by intermittent reactions on profit-taking. The volume of trading was extremely large and spread over all the sections. Commodity prices moved up by leaps and bounds in foreign markets and were largely responsible for the bullish fervour. Prices of local manufactures, steels particularly, shared prominently in the rise.

Period of hectic trading.

Tata steels as usual attracted most attention; Deferreds soared as high as Rs.2,290 (17th) and Ordinarys Rs.455. On firm raw cotton, mill shares were equally eagerly sought, and Bombay Dyeings touched Rs.1,110. Other favourite counters gained between 25 and 75 points. Cement shares were also steady in sympathy, Bundis being done up at Rs.46-4, Indian Cements at Rs.618-12 and Shahabads at Rs.603-12. Among miscellaneous industrials, Bombay Burmas moved up more than 100 points to Rs.845. Alcocks, which had been comparatively dull, shot up, touching Rs.465. Scindias were firm at Rs.29-8.

Steels and Cotton Mills advance further.

Hydro-electrics and other regular dividend payers, on the other hand, were practically unchanged. At higher levels, there was very keen profit-taking in evidence, Tata Deferreds declining by nearly 300 points to Rs.2,000 and Ordinarys by 50 points to Rs.403 (30th). There was a proportionate fall in all other speculative scrips.

Prices decline sharply on profit-taking.

The market was so much over-bought that carry forwards could be negotiated only at very expensive rates. Besides, the feeling was gaining ground now that prices in most cases had outstripped considerably even the potential value of shares, taking into account the continuance of rearmament programme and the resultant rise in commodities. More and more profit-taking was in evidence, and the weak elements that had entered the market, believing that there was only one-way street, began to get unnerved.

Weakness manifest in all sections.

Throughout April, the market was erratic with a downward trend and all the gains of the past two months were completely wiped off. A state of panic prevailed and there were few buyers as contrasted with few sellers in the past months. The outside markets were experiencing similar conditions and their repurcussions were more than fully felt locally. Commodity prices, especially of base metals, were fast coming down with the result that heavy industrials were marked down considerably. Under heavy selling pressure in a market devoid of buyers, Tata Steel Deferreds declined precipitately to Rs.1,220 (29th), a drop of nearly 50 per cent from the high water mark reached in March. Tata Ordinarys dropped likewise from Rs.460 to Rs.285 (29th).

Heavy liquidation causes sharp price declines.

Following weak raw cotton and the general slump, cotton mill shares also fell sharply; Bombay Dyeings to Rs.860, Centuries to Rs.178-12 and Central Indias to Rs.268-12 (29th). Cement shares were also easy, Bundis declining to Rs.39-12, Indian Cements to Rs.532-8, Katni Ordinarys to Rs.395 and Shahabads to Rs.505. Among miscellaneous industrials, Bombay Burmas which had touched the high level of Rs.850 in March were quoted at Rs.661-4. Scindias lost more than five points to Rs.26 (30th). Hydro-electrics, Bank and Railway shares, on the other hand, were not much affected by the fall in the industrial sections.

Cotton Mills decline sharply.

Just as the rise had been overdone during the early part of the year, the fall was equally unjustified during April, considering the intrinsic position of the industries. Bargain seekers were not slow to realise this and there was good buying in evidence at low levels. Fluctuations and the volume of trading became comparatively narrow, but the undertone was healthier at the beginning of May. Steel shares had lost none of their popularity despite the fall, and Tata Deferreds gained more than 300 points to Rs.1,550 and Ordinarys about 50 points to Rs.338 (7th). Cotton mill shares were also better, Bombay Dyeings recovering from the low level of Rs.845 to Rs.900, Centuries from Rs.171-4 to Rs.197-8 and Kohinoors from Rs.286-4 to Rs.311-4. Among miscellaneous shares, Bombay Burmas advanced to Rs.717-8 and Belapurs to Rs.175-10. Hydro-electrics were steadier in sympathy with gilt-edged, Tata Powers touching Rs.1,522-8 and Andhra Valleys Rs.1,680.

Sustained buying at low levels.

Throughout May, the market behaved in a satisfactory way and all apprehensions regarding the smooth passage of accounts in connection with May monthly settlement proved unfounded. There was a steady improvement in all sections and the carry overs were possible to negotiate at more reasonable rates. The fluctuations were comparatively narrow with an upward trend, Tata Deferreds advanced steadily to Rs.1,725

Market tone more cheerful; prices advance.

and Ordinarys to Rs.367 (25th). Trading in the mill section was restricted, Bombay Dyeings ranging between Rs.888-12 and Rs.910 and Central Indias between Rs.277-8 and Rs.267-8. Among miscellaneous industrials, Belapurs were weak, declining to Rs.162-8, while Bombay Burmas were steady at Rs.715. Tata Powers, which were comparatively steady in the past month, were hammered down to Rs.1,405 in the last week of May.

Difficulties on London Stock Exchange.

The market from now on was unsettled owing to various reports of disturbed political, situation abroad. Furthermore, the "gold scare" died hard and conditions on the London Stock Exchange, were still far from satisfactory.

Market erratic but downward again.

On every rise in the local market, sellers appeared and with buyers not so keen, values dropped sharply even on small volume of business. Accordingly, throughout June the market witnessed erratic changes, but with a downward trend. Tata Iron and Steel Deferreds declined to Rs.1,330xd and Ordinarys to Rs.312xd (15th). Mill shares were easy partly in sympathy with steels and partly on reports of disturbances in the city. Bombay Dyeings declined to Rs.856-4, Centuries to Rs.170-10 and Kohinoors to Rs.293-12. Among miscellaneous shares, Bombay Burmas dropped to Rs.662-8 and Belapurs to Rs.158-12. Tata Powers were hammered further and dropped to Rs.1,335 (15th).

Prices improve somewhat.

During the latter part of June, however, steadier conditions were in evidence and prices recovered alround, except for a temporary setback in the middle of the third week following the resignation of the French Cabinet.

Tata Deferreds advanced from Rs.1,330 to Rs.1,490 and after a set-back to Rs.1,402-8 recovered to Rs.1,562-8 (29th). Ordinarys likewise moved up from Rs.312 to Rs.333 and after dropping to Rs.323, improved to Rs.334. Cotton mill shares experienced similar movements. On the last day of June, the market dropped temporarily again following a statement made by President Roosevelt on the possibility of disarmament. But this was not taken too seriously by the markets and following the news of disturbed political situation in Europe and the Far East, prices recovered sharply in all sections. Tata Deferreds rose to Rs.1,602-8 and Ordinarys to Rs.345 (1st). Cotton mill shares were strong in the belief that Japan, being preoccupied in a war with China, would be less able to compete with Indian manufactures for the time being. Bombay Dyeings were done up to Rs.970—a gain of over 100 points from the lowest of the month. Centuries advanced to Rs. 220 and Kohinoors to Rs.330-10. In the miscellaneous section, Bombay Burmas were in the limelight, improving to Rs. 725. Hydro-electrics were quietly steady, while bank shares were in steady demand, prices moving narrowly.

Steady tone maintained.

During July, the market was fairly well maintained, and presented a more cheerful tone. Steel shares rose sharply at the opening on speculative purchases and bear-covering. Tata Deferreds touched Rs.1,700 and Ordinarys Rs.361. Cotton mill shares were also strong on worsening of the Far Eastern situation, Bombay Dyeings advanced to over Rs.1,000 and Kohinoors touched Rs.347-8. Hydro-electrics were also steady on better earnings and Tata Powers improved to Rs.1,432-8. Bank shares maintained a

steady rise, Bank of Indias advancing to Rs.141. Among miscellaneous shares, Bombay Burmas improved to Rs.741-4 and Scindia Steams to Rs.27-1.

Dealings open in Associated Cement.

As from the 1st of July, all the cement shares were put on the cash list and dealings were started in the Associated Cement Co.'s shares for forward and the latter advanced sharply from Rs.153 to Rs.164-8cd.

Narrow movements in prices.

In the second week, prices advanced further, but were not maintained and thenceforth movements were narrow right upto the first week of August. Tata Deferreds ranged between Rs.1,620 and Rs.1,685 and Ordinarys between Rs.345 and Rs.365. Bombay Dyeings oscillated between Rs.965 and Rs.1,010 and other scrips also moved likewise. Bombay Burmas were quoted between Rs. 705 and Rs.753.

Speculative interest was gradually diminishing owing to narrowness of movements and in absence of encouraging advices from outside markets. Business was now more of a professional character, public adopting a policy of ' wait and see.'

Sharp decline in prices.

In the second week of August, prices of steel shares dropped heavily, Deferreds losing 100 points to Rs.1,562-8 and Ordinarys 20 points to Rs.342. Cotton mills also declined, Bombay Dyeings to Rs.947-8, Centuries to Rs.226-4 and Kohinoors to Rs.343-2. Hydro-electric and other investment scrips, on the other hand, were quite steady in sympathy with gilt-edged. Tata Powers improved to Rs.1,451-4 and Andhra Valleys to Rs.1,730. Bank of Indias were firm at Rs.144.

Sagging tendency in evidence.

During the latter half of August, a sagging tendency was manifest particularly in steels on tired liquidation following discouraging advices from foreign markets. American news indicated the beginning of trade recession in the States and this coupled with lethargic state of the London market, marred local enthusiasm particularly in steels. Tata Deferreds declined gradually to Rs.1,535 and Ordinarys to Rs.337-8 by the end of the month.

Sharp decline in electric shares.

Hydro-electrics and other public utility shares came in for severe hammering following a statement by the Finance Member of the Government of Bombay indicating the possibility of increased taxation on these concerns. Bombay Trams, which had remained fairly stable around Rs. 150 throughout, were quoted down to Rs.130-15 (31st), recovering later to Rs.135-10. Tata Powers dropped to Rs.1,390, Andhra Valleys to Rs.1,657-8 and Tata Hydros to Rs.168-2. Bombay Telephones, which had remained firm, were also marked down sharply to Rs.101 (31st), improving later to Rs.106-8.

Cotton mills firm.

Cotton mill shares, on the other hand, were steady owing to continued tension in the Far East. There was good demand for local products and despite a drop in the price of raw cotton, quotations for manufactured goods remained unchanged. There was good inquiry for forward delivery of cloth both for local consumption and for export. As a result, Bombay Dyeings advanced once again to over Rs.1,000, while Centuries improved to Rs.241-4. Kohinoors gained more than 20 points at Rs.358-12, while New Greats moved up from Rs.236-4 to Rs.261-4.

Under the leadership of cotton mills, the market was generally active throughout September and upto the first week of October. There was very good demand from all centres for locally manufactured cloth and despite double shifts worked by most mills, the demand was difficult to cope with. This was fully reflected in the share values of various mills, Bombay Dyeings touching the record price of Rs.1 175—a rise of nearly Rs.200 in less than a month—Centuries firmed up to Rs.328-12, Central Indias to Rs.365 and Kohinoors to Rs.400 (7th). Steel shares were now in the second place, following the trend in the mill section. Tata Deferreds accordingly advanced to Rs.1,785 and Ordinarys to Rs.374 (7th). In the miscellaneous section, Bombay Burmas once again exceeded Rs.800 mark (7th), while Belapurs touched Rs.202-8. Hydro-electrics, after being quiet, recovered in sympathy with gilt-edged, Tata Powers touching Rs.1,532-8 and Bombay Trams Rs.135. Associated Cement shares, which had been practically neglected during the past two months, came in their own and were traded in at Rs.158-8, a recovery of nearly 10 points in the quotation.

Market resumes activity

Record prices reached for cotton mills.

While the local market had regained its poise after the serious crash of May last, the news from outside markets was none too good. The American industry and trade showed persistent signs of recession and there was a definite lack of confidence in the Administration's programme. The New York share market suffered a sharp fall in values in the second week of October and this reflected adversely both in London and in the local market. Steels declined sharply, Tata Deferreds from Rs.1,785 to Rs.1,675 and Ordinarys from Rs.374 to Rs.357-8. The prices for Tata Co.'s products were not lowered despite lack of demand for the company's goods, but the very fact that there was a large floating supply of goods on the market, was sufficient to make the holders nervous.

Market adversely affected by outside advices.

The cotton mill section was steady, but prices declined somewhat in sympathy with the general trend of the market. Furthermore rumours were gaining ground that there was considerable labour unrest in the industry. As a result, Bombay Dyeings dropped to Rs.1,102-8, Centuries to Rs.307-8 and Kohinoors to Rs.380.

Cotton mills also decline.

During the second half of October and throughout November, the market witnessed erratic movements, but the tendency was downward. There was further deterioration in the American markets and commodity prices particularly of base metals, were still dropping. Steel shares accordingly after intermittent reactions fell sharply in the last two weeks of November, Deferreds quoting Rs.1,280 and Ordinarys Rs.292 (3rd). There was heavy liquidation on account of tired holders and tremendous short selling resulted, so much so, that market was in a state of panic in the early part of December and doubts were entertained as to the smooth settlement of accounts for the December Settlement.

Erratic tone with downward tendency.

All other sections followed in the wake of steels, including cotton mills. The labour situation showed signs of worsening and it was feared that there may be a strike in the textile industry at any moment, which was averted temporarily pending the interim Report of the Inquiry Committee appointed by the Government of Bombay in the second week of October, to inquire into and recommend, if desirable, an

Heavy liquidation in all sections, market nervous.

increase in the wages in this indusrty. The speculators were not to be caught napping and there was heavy liquidation in this section. Furthermore, it was reported that there were large shipments of Japanese cloth already arrived at various ports. The demand for local cloth was also petering out. As a consequence mill shares were heavily marked down. Bombay Dyeings dropped to Rs.980, Centuries to Rs.236-4 and Central Indias to Rs.273-12.

Hydro-electrics were easier in sympathy with the general market, Tata Powers declining to Rs.1,422-8 and Tata Hydros to Rs.149-6. Bombay Trams were weak at Rs.116-14.

In the miscellaneous section, all scrips declined sharply, Bombay Burmas to Rs.707-8, Scindias to Rs.23-6 and Associated Cements to Rs.139-12.

Price touch low levels in steels.

The downward trend continued for the first ten days of December, when the market closed for settlement of accounts. It was generally feared that the settlement would be a difficult one and there was heavy liquidation in all sections, causing a further decline in rates. Steel shares were the worst to suffer, speculation in this section having been of the largest magnitude. Tata Deferreds fell sharply to the low level of Rs.1,110 and Ordinarys to Rs.250 (7th). At these levels, there was a good resistance and prices recovered sharply, Deferreds quoting Rs.1,200 and Ordinarys Rs.268.

Cotton mills more stable.

Mill shares were comparatively more stable; Bombay Dyeings, after declining to Rs.935, recovered to Rs.965; Centuries touched Rs.230, but improved to Rs.243-8. In the miscellaneous section, Associated Cements and Belapurs were fairly steady, the former ranging between Rs.144 and Rs.137 and the latter between Rs.186-4 and Rs.168-12. Bombay Burmas, on the other hand, were weak, declining to Rs.650. Hydro-electrics and Banks were steady; Bombay Trams, which had fallen to Rs.116, recovered to Rs.122.

Market closed for settlement.

The market was closed from 10th to 17th of December pending the settlement of accounts for December Settlement. The settlement was very heavy since the drop in values had been pretty serious. The settlement, however, passed off without any untoward incident. There were a few minor failures, but these were disregarded by the market and the tone on the reopening was quite steady.

Tone better.

Tata Deferreds touched Rs.1,280 and Ordinarys Rs.282-8 (21st). Among cotton mills, Bombay Dyeings were steady around Rs.975 and Kohinoors around Rs.350. At this juncture, it was rumoured that the Textile Inquiry Committee would recommend an interim increase in wages, and this brought out many sellers in this section. In sympathy there was a decline in all other sections.

Prices drop once again all-round.

Accordingly Bombay Dyeings fell sharply to Rs.915, Kohinoors dropped to Rs.337-8 despite the report that the Company were issuing a bonus share at Rs.200 to present holders in the proportion of 1 new share for every 4 held. Other issues also dropped proportionately.

Steel shares fell in sympathy, Tata Deferreds to Rs.1,172-8 and Ordinarys to Rs.256, recovering later to Rs.1,235 and Rs.275 respectively. In the miscellaneous section, Associated Cements were firm at Rs.145 following the announcement of a dividend of Rs.7-8 per share, but all other industrials issues were easier. Hydro-electric and Bank shares on the other hand were quite steady. The tone of the market at the close was unsettled depending upon foreign advices. Tata Steel Company had announced successive reductions in their rates during December with a view probably to keep in conformity with the ruling rates in the market.

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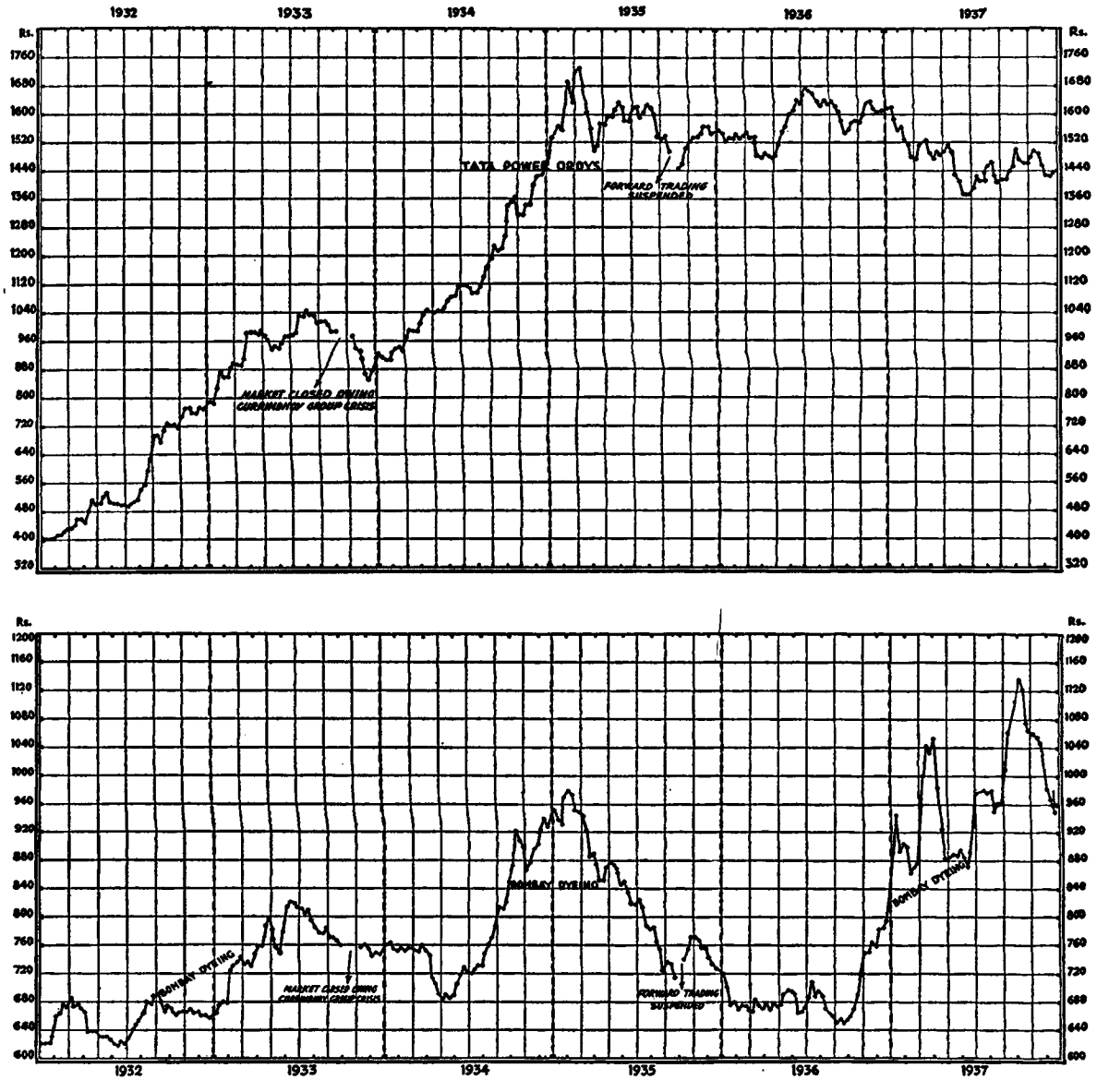

N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.

Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1933 (Currimbhoy group crisis) and between September 15 and October 14, 1935.

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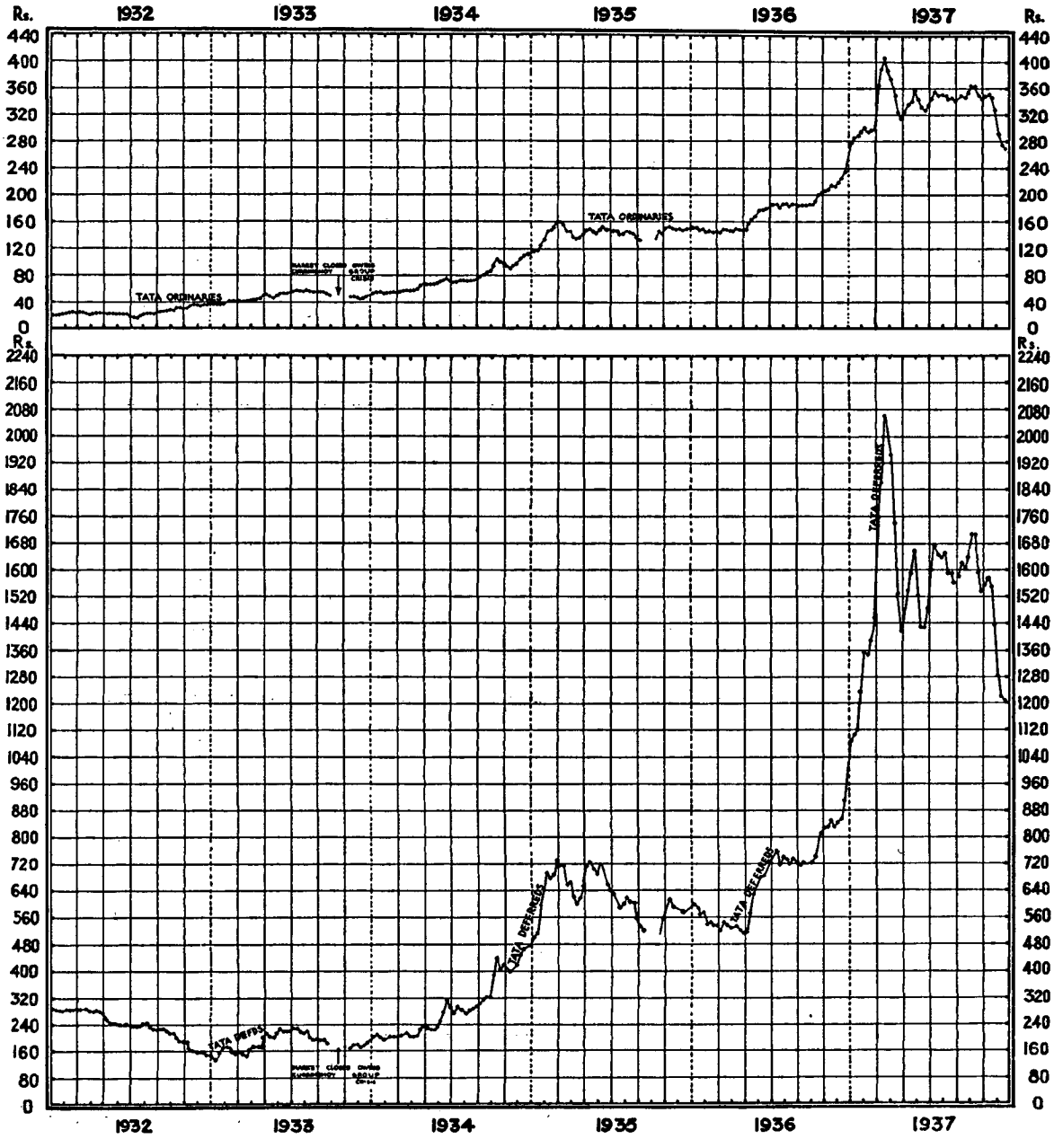

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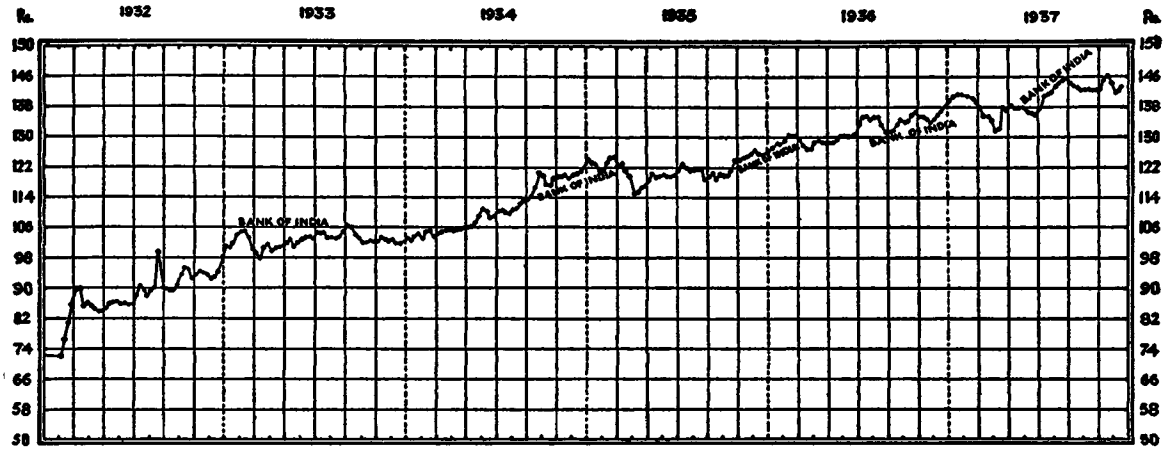
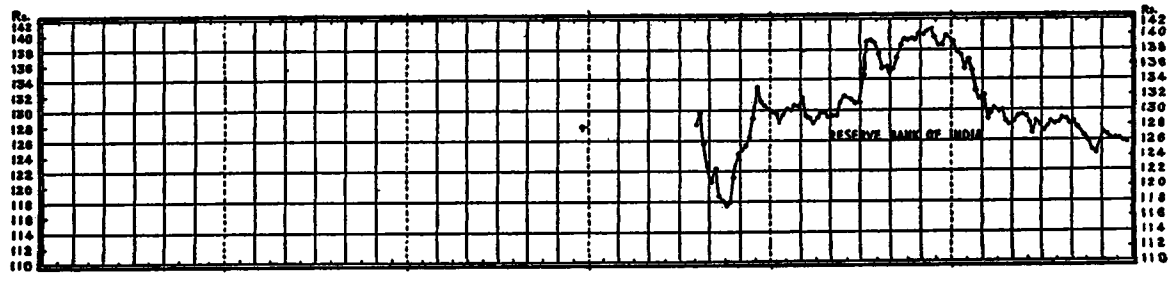
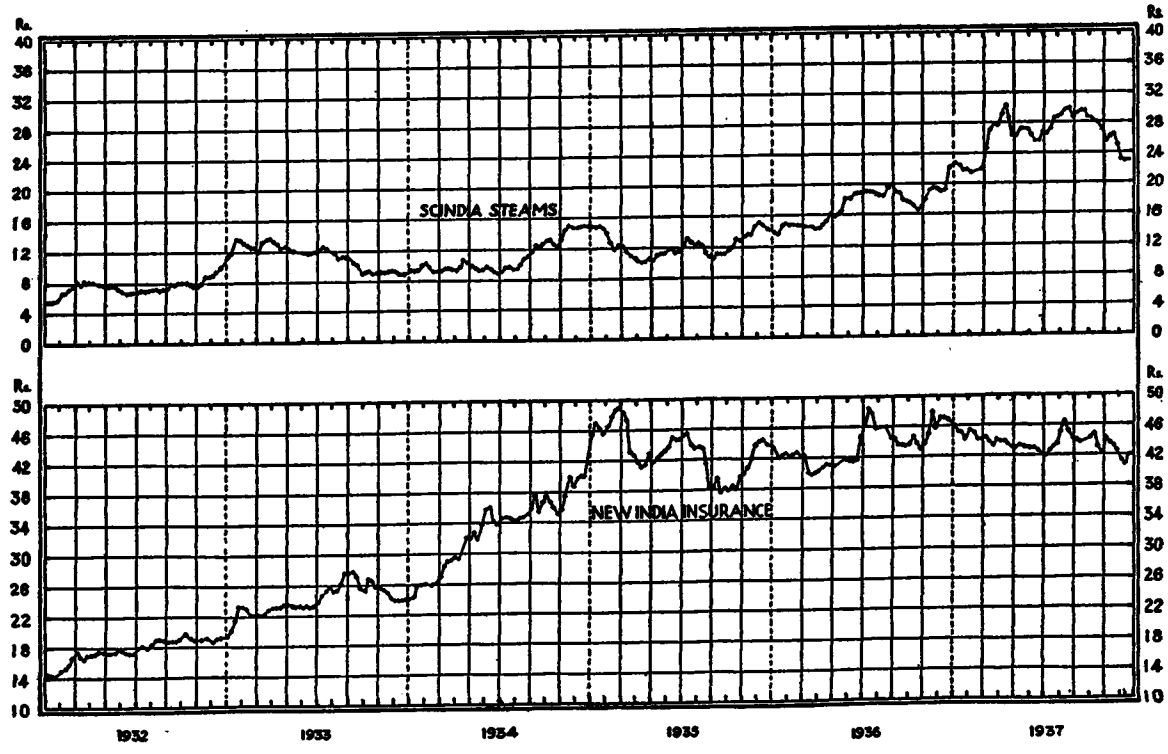
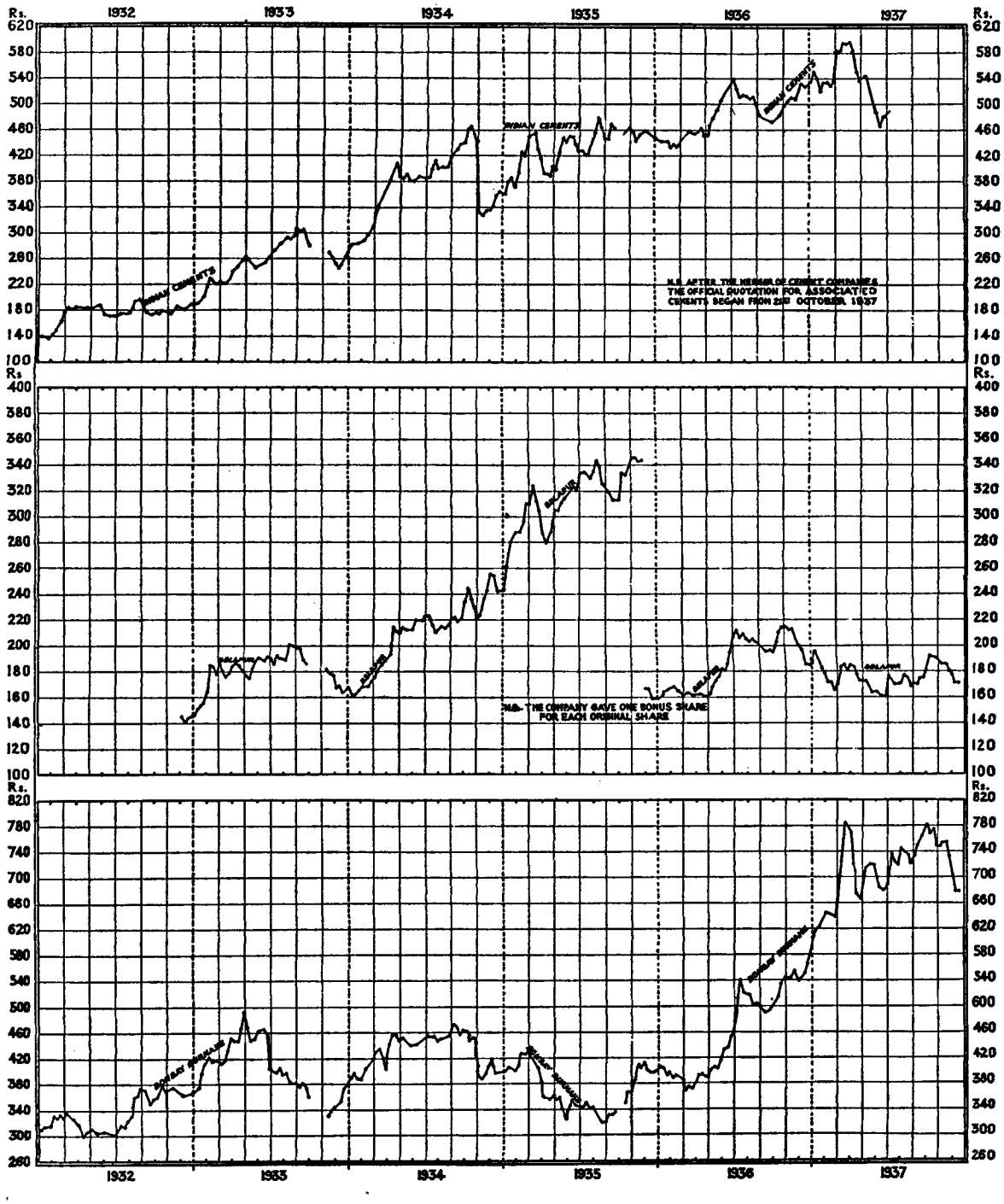






N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.



N. B.—(1) Belapur Company's shares were quoted on the official cash list from December 1, 1932 and on the forward list from September 1933.

(2) Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1933 (Currimbhoy group crisis) and between September 15 and October 14, 1935.

In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.

STATISTICS.

EXCHANGE VARIATIONS IN 1937.

Highest and lowest market selling quotations of Spot T.T. on London.

Months.	Highest.	Lowest.	Average.
January 1937 ..	1s. 6-1/8d. ..	1s. 6-1/8d. ..	18·125d.
February „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
March „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
April „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
May „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
June „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
July „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
August „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
September „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
October „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
November „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
December „ ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
		Average for the year ..	18·09635d.

GOVERNMENT STERLING REMITTANCES 1937.

Week ending.	Purchases of Sterling in India by tender and on tap.						Total Amount remitted.	Total.
	Amount of tenders.	Amount of tenders accepted.	Rate.	o/o of allotment.	Amount of purchases on tap.	Rate.		
	£	£			£		£	£
1-1-37	59,400,000	909,000	1/6-1/8	2%	1,425,000	1/6-5/32	2,334,000	....
8-1-37	60,000,000	991,000 100,000	„ 1/6-5/32	2%	2,202,000	„	3,293,000	....
15-1-37	32,950,000	2,000,000	1/6-1/8	6%	200,000	„	2,200,000	....
22-1-37	101,150,000	2,000,000	„	2%	70,000	„	2,070,000	....
29-1-37	106,000,000	2,000,000	„	2%	25,000	„	2,025,000	11,922,000
5-2-37	68,750,000	2,000,000	„	3%	....	....	2,000,000	....
12-2-37	97,200,000	2,000,000	„	2%	130,000	1/6-5/32	2,130,000	....
19-2-37	86,700,000	2,000,000	„	2%	....	....	2,000,000	....
26-2-37	41,825,000	2,000,000	„	5%	....	....	2,000,000	8,130,000
5-3-37	1,295,000	1,295,000	„	....	....	....	1,295,000	....
12-3-37	1,085,000	1,000,000	„	92%	....	....	1,000,000	....
19-3-37	830,000	830,000	„	....	....	....	830,000	....
26-3-37	1,164,000	1,000,000	„	86%	....	....	1,000,000	4,125,000
2-4-37	4,170,000	1,000,000	„	24%	30,000	1/6-5/32	1,030,000	....
9-4-37	44,250,000	1,000,000	„	2%	....	....	1,000,000	....
16-4-37	55,800,000	1,000,000	„	2%	105,000	1/6-5/32	1,105,000	....
23-4-37	7,495,000	2,000,000	„	27%	....	....	2,000,000	....
30-4-37	345,000	345,000	„	....	....	....	345,000	5,480,000
7-5-37	10,000	10,000	„	....	....	....	10,000	....
14-5-37	15,000	15,000	„	....	....	....	15,000	....
21-5-37	20,000	20,000	„	....	....	....	20,000	....
28-5-37	50,000	50,000	„	....	....	....	50,000	95,000
4-6-37	All tenders were rejected		„	....	....	....	....	....
11-6-37	95,000	95,000	„	....	....	....	95,000	....
18-6-37	715,000	715,000	„	....	....	....	715,000	....
25-6-37	175,000	175,000	„	....	....	....	175,000	985,000
2-7-37	20,000	20,000	„	....	....	....	20,000	....
9-7-37	20,000	20,000	„	....	....	....	20,000	....
16-7-37	265,000	265,000	„	....	....	....	265,000	....
23-7-37	100,000	100,000	„	....	....	....	100,000	....
30-7-37	20,000	20,000	„	....	....	....	20,000	425,000
6-8-37	No tenders were received.		....	....	....	....	....	....
13-8-37	230,000	230,000	1/6-1/8	....	....	....	230,000	....
20-8-37	430,000	430,000	„	....	....	....	430,000	....
27-8-37	93,000	93,000	„	....	....	....	93,000	753,000
3-9-37	35,000	35,000	„	....	....	....	35,000	....
10-9-37	No tenders were received.		....	....	....	....	....	....
17-9-37	80,000	80,000	1/6-1/8	....	....	....	80,000	....
24-9-37	15,000	15,000	„	....	....	....	15,000	80,000
1-10-37	660,000	660,000	„	....	....	....	660,000	....
8-10-37	935,000	935,000	„	....	....	....	935,000	....
15-10-37	790,000	790,000	„	....	....	....	790,000	....
22-10-37	420,000	420,000	„	....	....	....	420,000	....
29-10-37	230,000	230,000	„	....	....	....	230,000	3,035,000
5-11-37	70,000	70,000	„	....	....	....	70,000	....
12-11-37	580,000	580,000	„	....	....	....	580,000	650,000
19-11-37	No tenders were received.		....	....	....	....	....	....
26-11-37	No tenders were received.		....	....	....	....	....	....
3-12-37	No tenders were received.		....	....	....	....	....	....
10-12-37	No tenders were received.		....	....	....	....	....	....
17-12-37	No tenders were received.		....	....	....	....	....	....
24-12-37	280,000	280,000	1/6-1/8	....	....	....	280,000	....
31-12-37	290,000	290,000	„	....	....	....	290,000	570,000
Total ..	777,002,000	32,063,000	....	....	4,187,000	....	36,250,000	36,250,000

STATEMENT OF AFFAIRS OF THE IMPERIAL BANK OF INDIA 1937.

(IN RUPEES 00,000'S OMITTED.)

Average of Friday Figures.	Liabilities. Capital 5,63 Reserve Fund 5,50. Fixed Deposit, Savings Bank, Current and Other Accounts.	Acceptances for Constituents.	Sundries.	Assets. Investments. Government Securities.	Others	Advances. Loans.	Cash Credits and overdrafts.	Bills discounted and purchased.	Other Assets.	Cash. In hand and with Reserve Bank.	Balances with other Banks.	Ratio of total Cash to total Liabilities (excluding Capital and Reserve Fund).
Average for 1935	75,18	..	86	42,37	28	5,41	17,06	2,49	2,98	17,53	19	20.33
Average for 1936	78,72	..	67	43,58	15	3,78	16,37	2,91	2,95	20,30	43	22.90
1937.												
January	79,74	..	49	53,35	27	5,56	16,88	3,23	2,73	8,21	1,11	10.20
February	79,95	..	44	50,26	27	5,26	18,24	3,73	2,78	9,62	1,34	11.97
March	81,23	..	50	44,93	29	5,92	19,10	3,98	2,85	14,64	1,14	16.99
April	82,93	..	67	41,01	29	7,52	19,85	4,78	2,79	17,34	1,15	19.52
May	83,10	1	86	41,11	29	6,40	20,18	4,46	2,88	18,45	1,31	20.77
June	82,79	2	1,27	39,55	1,81	6,83	19,94	4,46	3,03	18,33	1,23	20.56
July	83,04	..	62	38,44	1,74	5,72	19,41	4,10	2,59	21,63	1,16	24.04
August	83,22	..	43	39,05	1,53	5,40	18,24	3,29	2,52	23,65	99	25.99
September	81,76	1	48	43,35	1,80	5,36	17,39	2,67	2,60	19,18	1,01	21.62
October	81,94	2	61	47,01	2,49	5,42	16,82	2,25	2,68	15,43	1,58	18.15
November	81,89	3	77	47,40	2,32	5,39	15,42	3,39	2,82	15,35	1,74	18.21
December	81,06	4	1,23	45,60	2,25	5,75	15,61	4,25	3,07	14,79	2,12	18.09

SCHEDULED BANKS CONSOLIDATED POSITION.

(EACH ASSET IS ALSO SHOWN AS A PERCENTAGE OF TOTAL LIABILITIES.)

Average of Friday Figures.	Cash in India and Balances with the Reserve Bank.		Demand Liabilities in India.	Time Liabilities in India.	Advances in India.		Bills discounted in India.	
1935.								
Average from July to Dec.	36,25	16.81	117,85	97,79	87,65	40.64	2,86	1.32
1936.								
Average from Jan. to Dec.	36,22	14.69	125,85	100,58	89,78	39.65	4,27	1.88
1937.								
January ..	22,95	9.74	132,80	102,63	104,10	44.21	5,69	2.41
February ..	23,45	9.99	131,30	103,41	110,59	47.11	7,10	3.02
March	28,80	12.10	133,16	104,67	115,92	48.74	7,79	3.27
April	31,19	12.93	135,54	105,65	122,56	50.81	8,15	3.38
May	32,24	13.32	134,52	107,38	122,70	50.72	7,55	3.12
June	32,85	13.58	133,19	108,56	119,08	49.25	6,82	2.82
July	39,21	16.18	133,16	109,14	113,19	46.71	5,82	2.40
August ..	42,34	17.35	133,75	110,27	108,72	44.55	5,13	2.10
September ..	35,72	14.69	132,95	110,18	106,89	43.96	4,90	1.91
October ..	31,60	12.96	134,28	109,46	106,97	43.88	4,66	1.91
November ..	32,60	13.32	135,67	108,98	105,56	43.14	5,55	2.26
December ..	31,23	12.91	132,18	109,63	105,21	43.50	6,03	2.50

CLEARING HOUSE RETURNS.

——	Bombay.	Calcutta.	Cawnpore.	Delhi.	Karachi.	Lahore.	Madras.	Rangoon	Total.	Progressive Total.
1935.										
Total July to December ..	360,78	455,13	5,13	6,53	15,18	5,74	36,96	33,21	918,66	918,66
1936.										
Total January to December.	709,74	885,71	11,79	14,93	30,71	10,97	83,18	77,46	1824,49	1824,49
1937.										
January ..	87,27	102,48	1,25	1,87	3,49	1,19	9,97	9,94	217,46	217,46
February ..	68,82	73,06	1,06	1,51	3,02	1,10	8,11	8,40	165,08	382,54
March ..	64,66	86,07	1,16	1,49	2,84	1,04	9,34	9,31	175,91	558,45
April ..	100,98	132,06	1,41	2,03	3,97	1,68	12,66	9,06	263,85	822,30
May ..	65,16	76,05	90	1,19	2,95	85	7,64	6,83	161,57	983,87
June ..	67,51	67,05	88	1,24	2,62	79	7,28	6,21	153,58	1137,45
July ..	75,44	84,88	91	1,55	3,07	1,02	10,23	7,15	184,28	1321,73
August ..	50,92	64,63	73	1,20	2,51	75	7,83	6,25	134,82	1456,55
September ..	49,96	76,18	78	1,24	2,32	75	10,27	5,89	147,39	1603,94
October ..	73,93	87,51	1,13	1,56	3,36	1,04	9,24	7,24	185,01	1788,95
November ..	62,51	74,52	78	1,41	3,12	88	7,65	5,53	156,40	1945,35
December ..	81,04	80,90	1,06	1,72	3,51	91	9,81	7,14	186,09	2131,44
Total to end of December ..	848,20	1005,39	12,05	18,04	36,78	12,00	110,03	88,95	2131,44	21,31,44

RESERVE BANK OF INDIA.

(IN RUPEES 00,000'S OMITTED).

Friday Figures.	ISSUE DEPARTMENT.							BANKING DEPARTMENT.								
								Liabilities.					Assets.			
	Notes in Circulation.	Notes held in Banking Department.	Sterling Securities.	Rupee Securities.	Gold coin and Bullion.	Rupee coin.	Percentage of gold & sterling Securities to total Notes Issued.	Government Deposits.	Banks Deposits.	Other Deposits.	Total Deposits.	Other Liabilities.	Balances held abroad.	Loans & Advances to Govt.	Investments.	Other Assets.
1935																
Average from April to Dec.	162,41	28,37	60,58	31,11	44,42	54,67	54.99	12,85	24,44	1	37,30	93	13,48	12	5,58	58
1936																
Average from Jan. to Dec.	169,64	28,94	67,42	23,89	44,42	62,89	56.32	8,45	30,78	88	39,55	1,12	13,17	2,22	5,53	71
1937																
1-1-37	192,00	11,87	71,31	23,88	44,42	64,76	56.77	7,14	15,87	27	23,28	79	14,86	..	6,16	1,08
8-1-37	193,25	10,57	71,31	24 38	44,42	63,71	56.78	8,71	15,80	28	24,79	1,39	15,08	3,00	6,23	1,25
15-1-37	194,04	10,47	72,31	24,38	44,42	63,40	57.08	8,58	15,11	28	23,92	1,26	16,87	..	6,55	1,23
22-1-37	193,61	11,03	72,31	24,38	44,42	63,58	57.04	10,32	16,41	30	27,12	1,39	19,05	..	7,10	1,27
29-1-37	192,56	11,64	72,31	24,38	44,42	63,09	57.17	12,54	17,72	32	30,58	1,31	21,28	..	7,59	1,31
Average for Jan.	**193,09**	**11,12**	**71,91**	**24,18**	**44,42**	**63,70**	**56.96**	**9,45**	**16,18**	**31**	**25,94**	**1,23**	**17,43**	**60**	**6,73**	**1,23**
5-2-37	196,56	9,92	75,31	24,37	44,42	62,38	57.98	11,30	15,68	41	27,39	1,10	20,36	..	7,74	42
12-2-37	197,44	10,65	77,31	24,37	44,42	61,99	58.49	10,78	17,76	42	28,96	81	21,05	..	7,57	43
19-2-37	196,61	11,56	77,31	24,37	44,42	62,07	58.47	13,92	17,74	36	32,02	54	22,70	..	7,62	61
26-2-37	193,93	14,36	77,31	24,37	44,42	62,19	58.44	16,60	19,65	53	36,78	64	25,12	..	7,38	47
Average for Feb.	**196,14**	**11,62**	**76,81**	**24,37**	**44,42**	**62,16**	**58.35**	**13,15**	**17,71**	**43**	**31,29**	**77**	**22,31**	..	**7,58**	**48**
5-3-37	195,00	12,98	77,31	24,37	44,42	61 88	58.53	13,53	22,64	52	36,69	66	23,23	..	7,57	51
12-3-37	195 38	12 56	77,31	24,37	44,42	61,84	58.54	14,68	22,26	56	37,50	61	27,17	..	7,63	68
19-3-37	193,47	14,61	78,31	23,37	44,42	61,98	58.98	14,59	23,90	52	39,01	73	26,68	..	7,63	75
26-3-37	194,35	13,65	79,31	22,37	44,42	61,90	59.48	14,53	23,08	52	38,13	57	26,50	..	7,58	88
Average for Mar.	**194,55**	**13,46**	**78,06**	**23,62**	**44,42**	**61,90**	**58.88**	**14,33**	**22,97**	**53**	**37,83**	**64**	**26,65**	..	**7,60**	**71**
2-4-37	193,94	13,93	79,31	22,38	44,42	61,76	59.52	13,63	23,03	53	37,19	42	25,61	..	7,76	36
9-4-37	196,89	10,74	79,31	22,38	44,42	61,52	59.59	9,86	23,69	53	34,08	39	24,83	1,00	7,60	36
16-4-37	196,90	11,23	80,31	27,37	44,42	56,03	59.93	10,07	24,96	52	35,55	45	24,66	2,00	7,78	40
23-4-37	194,50	13,40	80,31	27,37	44,42	55,81	59.99	9,98	28,11	53	38,52	41	27,16	..	7,93	44
30-4-37	192,66	15,15	80,31	27,37	44,42	55,72	60.02	12,19	27,55	63	40,37	23	27,27	..	7,67	47
Average for Apr.	**194,98**	**12,89**	**79,91**	**25,37**	**44,42**	**58,17**	**59.81**	**11,15**	**25,47**	**55**	**37,14**	**38**	**25,91**	**60**	**7,75**	**41**
7-5-37	195,37	11,64	80,31	27,37	44,42	54,92	60.25	9,99	26,22	67	36,88	44	26,69	1,00	7,52	47
14-5-37	195,64	11,04	80,31	27,37	44,42	54,59	60.34	10,69	25,24	56	36,49	32	26,70	1,00	7,57	49
21-5-37	192,29	14,49	80,31	27,37	44,42	54,68	60.32	9,31	26,83	54	36,68	32	24,48	..	7,52	50
28-5-37	190,28	16,93	80,31	27,37	44,42	55,11	60.19	11,26	26,70	58	38,54	41	24,45	..	7,01	52
Average for May	**193,40**	**13,53**	**80,31**	**27,37**	**44,42**	**54,83**	**60.28**	**10,31**	**26,25**	**59**	**37,15**	**37**	**25,58**	**50**	**7,41**	**50**
4-6-37	192,31	14,48	80,31	27,37	44,42	54,70	60.32	9,67	24,75	57	34,99	43	23,27	..	7,14	55
11-6-37	192,54	14,37	80,31	27,37	44,42	54,81	60.28	9,67	24,52	54	34,73	46	23,22	..	7,07	56
18-6-37	188,97	18,05	80,31	27,37	44,42	55,53	60.08	11,05	27,14	55	38,74	49	22,78	..	7,23	58
25-6-37	185,95	22,46	80,31	27,37	44,42	56,32	59.85	12,62	29,62	54	42,78	49	22,82	..	7,36	61
Average for June	**189,94**	**17,49**	**80,31**	**27,37**	**44,42**	**55,34**	**60.13**	**10,75**	**26,51**	**55**	**37,81**	**47**	**23,01**	..	**7,20**	**58**
2-7-37	187,49	21,47	80,31	27,37	44,42	56,87	59.69	9,70	28,96	54	39,20	65	19,96	..	7,76	66
9-7-37	186,15	23,13	80,31	27,37	44,42	57,18	59.60	9,75	31,58	52	41,85	54	17,50	3,00	8,07	67
16-7-37	183,86	26,10	80,31	27,37	44,42	57,86	59.41	9,45	33,78	54	43,77	51	16,90	2,00	8,49	69
23-7-37	181,28	29,48	80,31	27,37	44,42	58,66	59.18	9,68	34,58	54	44,80	70	16,67	..	8,63	79
30-7-37	178,75	32,81	80,31	27,38	44,42	59,46	58.96	11,30	36,11	53	47,94	65	16,55	..	8,43	75
Average for July	**183,51**	**26,60**	**80,31**	**27,37**	**44,42**	**58,01**	**59.36**	**9,98**	**33,00**	**53**	**43,51**	**61**	**17,52**	**1,00**	**8,28**	**71**
6-8-37	181,15	30,51	80,31	27,38	44,42	59,57	58.93	9,75	35,08	51	45,34	85	15,89	1,00	8,01	77
13-8-37	180,90	31,14	80,31	27,38	44,42	59,94	58.82	10,19	35,44	51	46,14	83	15,97	1,00	8,06	79
20-8-37	179,10	33,61	80,31	27,38	44,32	60,61	58.64	8,61	38,51	53	47,65	79	14,57	1,00	8,41	80
27-8-37	177,80	35,44	80,31	27,38	44,42	61,14	58.49	10,44	36,85	51	47,80	84	14,43	..	7,92	80
Average for Aug.	**179,74**	**32,67**	**80,31**	**27,38**	**44,42**	**60,32**	**58.72**	**9,75**	**36,47**	**51**	**46,73**	**83**	**15,22**	**75**	**8,10**	**79**
3-9-37	181,01	32,27	80,31	27,38	44,42	61,17	58.48	13,02	30,24	1,02	44,28	78	13,63	..	8,05	91
10-9-37	182,25	30,85	80,31	27,38	44,42	60,99	58.53	11,28	30,26	59	42,13	97	13,50	..	7,67	85
17-9-37	181,12	32,31	80,31	27,39	44,42	61,33	58.44	13,10	29,42	56	43,08	85	13,00	..	7,70	87
24-9-37	179,77	34,08	80,31	27,39	44,42	61,74	58.33	16,10	27,96	54	44,60	97	12,69	..	7,87	89
Average for Sep.	**181,04**	**32,38**	**80,31**	**27,39**	**44,42**	**61,31**	**58.44**	**13,37**	**29,47**	**68**	**43,52**	**89**	**13,21**	..	**7,82**	**88**
1-10-37	180,22	34,06	80,31	27,39	44,42	62,17	58.21	16,41	25,72	53	42,66	1,14	11,87	..	6,93	92
8-10-37	185,22	28,45	80,31	27,39	44,42	61,57	58.38	11,93	23,52	52	35,97	1,16	10 72	..	7,00	94
15-10-39	186,91	27,00	80,31	27,39	44,42	61,30	58.31	10,91	23,71	52	35,14	1,16	11,31	..	7,00	95
22-10-37	183,13	30,86	80,31	27,39	44,42	61,88	58.29	11,33	25,68	52	37,53	1,18	10,28	..	6,56	95
29-10-37	181,67	32,84	80,31	27,39	44,42	62,40	58.15	12,38	25,88	51	38,77	1,14	9,62	..	6,40	99
Average for Oct.	**183,43**	**30,64**	**80,31**	**27,39**	**44,42**	**61,96**	**58.27**	**12,59**	**24,90**	**52**	**38,01**	**1,16**	**10,76**	..	**6,78**	**95**
5-11-37	186,50	27,42	80,31	27,39	44,42	61,81	58.31	9,44	22,31	59	32,34	1,13	8,70	..	6,31	1,01
12-11-37	184,30	29,70	80,31	27,38	44,42	61,90	58.29	8,59	25,60	67	34,86	1,32	8,78	..	6,65	1,01
19-11-37	181,62	32,72	80,31	27,38	44,42	62,24	58.19	9,12	27,35	87	37,34	1,35	6,01	2,00	6,92	1,04
26-11-37	179,92	34,98	80,31	27,38	44,42	62,80	58.04	10,67	26,60	96	38,23	1,21	5,56	1,00	6,82	1,05
Average for Nov.	**183,09**	**31,21**	**80,31**	**27,38**	**44,42**	**62,19**	**58.21**	**9,46**	**25,47**	**77**	**35,70**	**1,25**	**7,26**	**75**	**6,68**	**1,02**
3-12-37	182,61	32,02	80,31	27,37	44,42	62,53	58.11	8,43	26,60	1,02	36,05	1,35	4,91	3,00	6,36	1,10
10-12-37	183,70	30,76	80,31	27,37	44,42	62,36	58.15	8,31	26,46	1,09	35,86	1,16	4,75	4,00	6,39	1,10
17-12-37	182,09	32,49	80,31	27,37	44,42	62,48	58.12	9,09	26,12	1,13	36,34	1,06	3,51	4,00	6,29	1,14
24-12-37	183,74	31,02	80,31	27,37	44,42	62,66	58.07	9,67	22,45	1,25	33,37	1,60	3,72	3,00	6,10	1,16
31-12-37	185,37	29,33	80,31	27,41	44,42	62,56	58.09	9,76	20,16	1,26	31,18	99	3,64	2,00	6,24	99
Average for Dec.	183,50	31,12	80,31	27,38	44,42	62,52	58.11	9,05	24,36	1,15	34,56	1,23	4,11	3,20	6,28	1,10

TRADE OF INDIA—1937.

Imports and Exports of Merchandise and Treasure.

(In Rupees, 000's omitted.)

Months.	Exports including re-exports.	Imports.	Balance of Trade in Merchandise only.	Treasure —Net Imports +Net Exports.	Balance of trade excluding Government Remittances.	Remittances to Secy. of State (adverse to India).	The Net balance of trade +in favour — against India.
January 1937	22,06,88	12,58,74	+ 9,48,14	+ 59,00	+10,07,14	—12,78,00	— 2,70,86
February „	19,04,92	9,35,75	+ 9,69,17	— 1,30,00	+ 8,39,17	—10,80,00	— 2,40,83
March „	22,11,05	13,12,36	+ 8,98,69	+ 1,03,00	+10,01,69	— 5,50,00	+ 4,51,69
April „	17,56,14	15,70,72	+ 1,85,42	+ 1,49,00	+ 3,34,42	— 6,34,00	— 2,99,58
May „	16,64,02	14,37,13	+ 2,26,89	+ 1,04,00	+ 3,30,89	— 20,00	+ 3,10,89
June „	17,86,47	13,38,08	+ 4,48,39	+ 25,00	+ 4,73,39	— 1,27,00	+ 3,46,39
July „	17,38,71	14,12,27	+ 3,26,44	+ 1,87,00	+ 5,13,44	— 32,00	+ 4,81,44
August „	15,26,80	13,29,99	+ 1,96,81	+ 1,03,00	+ 2,99,81	— 79,00	+ 2,20,81
September „	17,10,53	13,66,76	+ 3,43,77	+ 77,00	+ 4,20,77	— 9,00	+ 4,11,77
October „	16,23,05	14,50,35	+ 1,72,70	+ 1,23,00	+ 2,95,70	— 3,88,00	— 92,30
November „	15,04,20	15,80,05	— 75,85	+ 1,09,00	+ 33,15	— 89,00	— 55,85
December „	13,90,15	14,33,46	— 43,31	+ 1,70,00	+ 1,26,69	— 69,00	+ 57,69
Total for 1937	2,10,22,92	1,64,25,66	+45,97,26	+10,79,00	+56,76,26	—43,55,00	+13,21,26

Source of information :—" Accounts relating to the Sea-borne Trade and Navigation of British India."

(One lakh: 100,000; Ten lakhs: 1,000,000; One crore: 10,000,000).

RAW MATERIALS—PRODUCTION AND EXPORTS.

(000's omitted.) (In Tons.)

Commodities.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Net Exports (+) Nett Imports (—) of India.
	World.	India.		World.	India.		World.	India.		World.	India.	
	1933-34.			1934-35.			1935-36.			1936-37.		
Cotton (Raw)..	5,669	912	+ 461	5,039	866	+ 563	5,639	[1,063	+ 530	6,742	1,122	+ 697
Jute (Raw) ..	1,433	1,426	+ 748	1,528	1,518	+ 752	1,302	1,288	+ 771	1,575	1,560	+ 821
Rice	89,463	46,407	+ 1,644	84,297	45,402	+ 1,198	83,460	41,895	+ 1,184	91,531	49,492	+ 1,372
Groundnuts ..	6,033	3,330	+ 547	4,665	1,884	+ 511	5,305	2,258	+ 413	....	2,803	+ 739
Linseed ..	3,120	406	+ 379	3,504	376	+ [238	3,297	[420	+ 164	§ 2,825	384	+ 296
Rape Seed ..	1,222	1,042	+ 73	1,187	943	+ 37	1,255	900	+ 19	1,310	954	+ 37
Seasamum ..	723	541	+ 15	630	406	+ 4	734	463	+ 1	728	482	+ 14
Cane Sugar ..	14,665	2,933	— 235	14,487	3,081	— 195	16,042	3,543	— 176	17,952	4,025	+ 4
Cotton Seed ..	11,643	2,126	+ 6	10,531	2,018	+ .6	11,761	2,470	+ .7	13,995	2,628	+ 9

Source of information { * 'League of Nations Statistical Year Book 1936-37.'
** 'Sea-borne Trade and Navigation of British India.'

§ Excluding U. S. S. R.

INDIA'S CROPS :—SEASONS AND EXPORT VALUE.

Name of Article.	Crops sown.	Crops harvested.	Export commences.	Value of Exports from Dec. 1935 to 30th November 1936.	Value of Exports from Dec. 1936 to 30th November 1937.
				(Thousands of Rupees)	
Rice .. .. (Husked, unhusked & Rice Flour).	May/June	November/December..	January.. ..	10,10,87	6,50,22
Jute	May/June	September/October ..	November ..	39,77,15	45,94,15
Cotton	May/June and October	October/November and April/May.	November ..	42,94,99	51,44,82
Tea	....	June/January ..	July	20,53,40	23,73,21
Cottonseed ..	....	October/November ..	December ..	61	7,51
Maize	July	October/November ..	December ..	8	24
Tilseed	July and October ..	November and March.	December/January.	8,83	32,64
Rapeseed ..	August/October ..	February/March ..	April/May ..	43,42	58,01
Mustardseed ..	August/October ..	February/March ..	April/May ..	4,27	4,57
Gram	September/October ..	February/March ..	May	11,79	27,26
Lentils	October	February/March ..	Late March ..	29,45	21,89
Peas (Beans) ..	October ..	March	April/May ..	29,11	8,69
Linseed ..	October	March/April	May	4,18,04	3,84,93
Barley	October/November ..	March/April	May	2,51	27,10
Wheat	October/November ..	April	May	1,74,67	5,19,06
Groundnut ..	August	December	January	9,07,00	11,00,74

* Value includes raw and manufactured articles.

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NUMBER AND PAID-UP CAPITAL OF DIFFERENT CLASSES OF COMPANIES AT WORK IN INDIA AT THE END OF EACH YEAR.

(Rupees 00,000's omitted.)

Years.	Total number of Companies.	Total paid up Capital.	Banking, Loan and Insurance.		Transit, Trading and Manufacturing.		Mills and Presses.		Tea and other Planting Cos.		Mining and quarrying.		Sugar.		Others.	
			No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.
1920-21 ..	4,708	1,64,46	829	21,66	2,043	61,05	717	48,47	512	9,06	363	16,65	40	1,24	201	634
1921-22 ..	5,189	2,30,55	916	30,42	2,351	84,01	740	64,82	519	9,87	386	31,66	46	2,03	231	774
1922-23 ..	5,190	2,59,79	893	22,97	2,352	96,09	755	72,56	500	10,01	374	40,18	44	1,71	272	16,22
1923-24 ..	5,211	2,65,33	958	19,16	2,350	1,00,76	748	74,66	489	10,06	364	41,77	42	1,92	260	18,92
1924-25 ..	5,204	2,75,53	1,002	20,49	2,289	1,09,96	739	74,22	500	10,82	358	41,56	46	1,93	270	15,75
1925-26 ..	5,305	2,76,96	1,061	19,88	2,307	1,10,53	738	75,60	515	11,46	344	41,83	40	2,03	300	18,44
1926-27 ..	5,526	2,76,91	1,263	25,38	2,351	1,08,97	738	72,26	544	11,92	338	41,96	36	1,82	256	14,64
1927-28 ..	5,830	2,76,44	1,448	25,41	2,433	1,10,04	741	71,36	575	12,88	330	40,04	36	1,87	267	14,83
1928-29 ..	6,330	2,79,31	1,721	26,82	2,602	1,10,08	754	71,98	604	13,53	327	40,21	35	1,96	287	14,73
1929-30 ..	6,919	2,86,34	2,025	28,47	2,815	1,13,33	761	71,60	618	13,91	335	39,55	32	1,92	333	17,56
1930-31 ..	7,328	2,82,68	2,215	28,19	3,006	1,16,06	764	67,73	608	15,55	333	38,81	34	2,04	368	14,29
1931-32 ..	7,997	2,85,90	2,629	29,00	3,206	1,17,31	786	68,40	601	15,54	331	39,01	48	2,04	396	14,59
1932-33 ..	8,715	2,86,47	3,025	29,17	3,441	1,13,89	790	70,03	586	15,68	325	38,97	110	2,45	438	16,28
1933-34 ..	9,434	3,00,80	2,972	34,60	3,948	1,17,56	845	70,09	614	16,39	384	40,56	156	4,46	515	17,14
1934-35 1935-36 1936-37	Not available.															

NOTE :—

"*Transit, Trading and Mfg.*" :—Navigation, Rlys., Tramways, Landing and Warehousing, Printing, Publishing and Stationery, Public Service Co., etc., etc.

"*Mills and Presses.*" :—Cotton, Jute, Silk, Wool etc., Rice, Flour, Oil, Saw and Timber, etc.

"*Others.*" :—Land and Building, Ice, Breweries, etc., etc.

Source of information "Joint Stock Companies Annual."

NUMBER AND CAPITAL OF NEW COMPANIES REGISTERED IN INDIA AND THOSE THAT HAVE CEASED TO WORK.

POSITION AS AT THE END OF EACH YEAR FROM 1920-21 TO 1936-37.

In Rupees

(00,000's omitted.)

Years.	Number of new Companies registered.	Authorised Capital.	Paid-up Capital.	No. of Companies ceased to work.	Authorised Capital.	Paid-up Capital.
1920-21	987	1,47,23	3,12	137	14,15	4,09
1921-22	717	80,84	1,90	220	30,46	1,98
1922-23	496	34,42	1,48	524	88,29	8,25
1923-24	430	26,50	67	411	52,90	14,16
1924-25	416	21,23	86	427	49,00	7,21
1925-26	472	30,06	57	374	28,61	6,81
1926-27	529	19,39	44	309	26,82	5,87
1927-28	626	17,57	86	335	23,73	7,64
1928-29	726	27,38	78	229	13,72	5,49
1929-30	839	62,55	2,39	264	23,04	3,33
1930-31	731	21,56	83	292	37,84	11,12
1931-32	922	30,36	33	225	14,67	3,51
1932-33	1,087	30,71	31	361	20,33	3,43
1933-34	878	57,08	88	737	37,15	12,07
1934-35	965	42,20	....	365	13,70	....
1935-36	1,027	51,36	38	855	16,79	4,81
1936-37	1,210	1,10,51	68	662	36,59	5,76

NOTE.—The total number of Companies limited by shares, which were incorporated in India upto 1920-21 under the laws relating to the registration of Companies was 10,061. Of these 4,708 were working at the end of the year 1920-21, the remainder, 5,353, were either wound up, or discontinued or never commenced business.

Source of information :—Upto 1933-34 "Joint Stock Companies Annual," and afterwards Monthly issues.

COTTON MILLS.

Name of Company.	No. of Spindles.		No. of Looms.		Price during boom period 1920-21.	Quotations in 1937.		Intrinsic Value.* Less Depreciation.	Quotation at the close of year (23-12-37).
	Installed.	At work.	Installed.	At work.		Highest.	Lowest.		
					Rs.	Rs. As.	Rs. As.	Rs.	Rs. As.
Ahmedabad Advance	44,224	43,141	924	901	3,300	435	288-12	303	367-8
Bombay Dyeing † ..	181,488	152,862	4,804	4,716	4,395	1,175	828-12	1,275	950
Central India † ..	115,188	102,883	2,166	2,016	6,400	378-12	247-8	225	261-4
Century	99,584	88,977	3,048	3,025	1,545	323-12	170-10	580	233-12
Colaba Land	34,000	33,384	694	689	3,800	275-10	143-2	152	232-8
Coorla	23,828	20,900	719	716	340	125	80	155	100
Dawn	42,264	33,630	..	..	1,800	485	287-8	1,025	350
Finlay	46,072	37,924	784	723	1,845	168-12	113-12	106	138-12
Khatau	55,900	53,021	1,552	1,486	920	165	81-4	177	123-2
Kohinoor †	74,448	68,746	1,495	1,456	4,800	397-8	261-4	350	348-2
Laxmi Cotton ..	45,792	44,835	1,159	1,012	5,250	725	565	640	565
Morarji Goculdas ..	56,856	48,623	1,666	1,598	8,000	1,385	850	3,770	1,205
New City	45,944	45,424	432	431	1,040	117-8	52-8	85	95
New Great	46,884	46,040	1,029	1,023	1,375	336-4	155	365	275
Phœnix	54,244	49,836	728	649	1,430	348-2	250	522	253-12
Sholapur	111,360	98,711	2,234	2,146	18,500	2,350	1,900	16,875	1,900
Simplex †	37,148	26,392	1,321	1,143	1,335	133-2	79-6	110	93-12
Swan	31,450	23,195	528	488	1,700	132-8	88-12	102	105
Swadeshi †	81,252	67,457	2,150	1,888	6,030	345	206-4	245	250
Vishnu Cotton ..	49,392	48,982	1,458	1,424	2,375	1,505	1,238-12	715	1,300

* The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

† Depreciation in these is taken at 25 % of the total block value.

JUTE MILLS.

Name of Company.	Number of Looms.	Quotations 1917 to 1937.		Quotations in 1937.		Intrinsic Value.	Quotations at the close of year. (22-12-37).
		Highest.	Lowest.	Highest.	Lowest.		
		Rs. As.	Rs. As.	Rs. As.	Rs. As.	Rs.	Rs. As.
*Albion	498	635	130	270	165	275	175
*Alliance	1,232	922	140	290	160	415	183
*Anglo-India	2,561	573	110	440	256	383	274
*Auckland	810	515	107	210	147	186	162
*Bally	825	369-8	77	220	158	210	160
*Barnagore	1,744	347	72	175	105	225	114
*Belvedere	820	785	220	416	280	330	310
*Budge Budge ..	990	820	195	320	215	395	240
*Caledonian	616	860	218	460	290	445	315
*Clive	969	79-8	16	31-8	19	34	20-4
*Dalhousie	766	832	195	360	270	390	282
*Delta	779	870	220	415	300	427	330
Empire	500	99	22	39	22	37	23
*Fort Gloster.. ..	1,884	1,565	265	585	390	795	410
*Fort William ..	1,014	620	107	295	180	450	187
Gondalpara	600	1,600	500	865	650	1,179	650
*Gourepore	1,392	1,670	180	690	490	585	500
*Howrah	1,940	70-10	23	66-4	42-2	44	42-8
*Hooghly	454	175	40	61	40	82	41
*Kamarhatty.. ..	1,797	1,198	226	640	405	450	430
*Kanknarrah	1,527	905	238	515	335	360	340
*Kelvin	702	1,460	390	580	390	680	410
*Khardah	1,457	760	230	400	300	310	300
*Kinnison	1,250	1,810	378	665	495	695	505
*Lansdowne	846	626	70	200	135	200	139
*Lawrence	840	1,060	220	450	315	555	325
*Lothian	558	705	125	250	160	305	177
Naihatty	815	900	200	400	260	438	270
*New Central.. ..	709	1,055	245	358	245	430	260
*Northbrook	567	113	25-8	47	32-8	52	33
*Reliance	1,276	101	20-8	80	55-4	55	55-4
*Standard	650	933	185	320	230	330	235
*Union	1,326	1,280	237	445	300	610	310

* The intrinsic value is arrived at by valuing each loom at Rs. 5,000, after adding liquid assets and deducting liabilities.

PRICES OF GOVERNMENT SECURITIES—1937.

MONTHS.		2½ per cent. Loan. 1948-53.	3 per cent. Loan. 1941.	3 per cent. Loan. 1951-54.	3½ per cent. Govt. Paper.	3½ per cent. Loan. 1947-50.	4 per cent. Loans.		4½ per cent. Loan. 1955-60.	5 per cent. Loans.			5½ per cent. Loan. 1938-40.
							1943.	1960-70.		1939-44.	1940-43.	1945-55.	
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Jan.	Highest	101 7 0	105 1 0	103 9 0	100 9 0	107 7 0	111 13 0	115 8 0	120 4 0	108 14 0	111 12 0	121 5 0	107 7 0
	Lowest	99 10 0	103 12 0	101 12 0	95 14 0	105 11 0	110 4 0	113 0 0	118 14 0	107 13 0	110 12 0	119 6 0	106 2 0
	Average	100 7 4	104 5 8	102 8 9	98 14 2	106 7 6	110 14 3	114 5 8	119 7 0	108 4 5	111 3 4	120 5 8	106 12 10
Feb.	Highest	100 5 0	104 2 0	102 1 0	98 10 0	106 2 0	110 3 0	114 0 0	119 0 0	107 10 0	110 10 0	120 3 0	106 4 0
	Lowest	98 10 0	103 0 0	100 12 0	92 8 0	103 14 0	107 12 0	109 12 0	116 4 0	106 6 0	109 6 0	117 8 0	105 8 0
	Average	99 10 0	103 10 10	101 9 9	96 2 6	105 4 5	109 7 2	112 12 2	118 2 3	107 4 0	110 3 10	119 5 11	105 15 3
March	Highest	99 14 0	103 12 0	101 6 0	95 5 0	105 2 0	109 0 0	112 8 0	118 0 0	106 12 0	109 12 0	118 12 0	105 9 0
	Lowest	98 10 0	102 14 0	100 14 0	91 4 0	104 4 0	106 14 0	110 8 0	117 0 0	105 11 0	108 9 0	117 14 0	105 0 0
	Average	99 2 11	103 3 7	101 1 5	93 2 5	104 10 1	107 15 1	111 2 8	117 5 4	106 3 10	109 1 11	118 5 7	105 5 5
April	Highest	99 14 0	102 15 0	101 6 0	95 5 0	106 3 0	107 2 0	110 14 0	117 12 0	105 9 0	108 6 0	120 4 0	105 0 0
	Lowest	99 5 0	102 10 0	101 2 0	92 9 0	105 0 0	106 10 0	110 8 0	117 3 0	105 8 0	108 3 0	118 8 0	104 15 0
	Average	99 8 4	102 12 1	101 3 7	93 7 5	105 6 5	106 13 0	110 10 0	117 5 6	105 8 1	108 4 3	119 4 1	104 15 11
May	Highest	100 1 0	103 2 0	101 3 0	96 2 0	106 1 0	107 2 0	110 11 0	117 12 0	105 8 0	108 4 0	119 10 0	104 15 0
	Lowest	99 12 0	102 13 0	101 2 0	94 2 0	105 14 0	106 15 0	110 8 0	117 10 0	105 5 0	108 2 0	119 7 0	104 13 0
	Average	99 14 9	102 14 11	101 2 2	95 0 1	106 0 2	107 0 5	110 9 7	117 10 1	105 6 10	108 2 11	119 7 8	104 14 4
June	Highest	100 0 0	103 1 0	101 2 0	95 12 0	105 15 0	107 0 0	110 10 0	117 10 0	105 6 0	108 1 0	119 7 0	104 14 0
	Lowest	99 13 0	102 15 0	100 15 0	94 11 0	105 7 0	106 15 0	110 2 0	117 0 0	105 2 0	107 11 0	119 6 0	104 8 0
	Average	99 14 0	102 15 6	101 0 0	95 5 1	105 10 3	106 15 6	110 4 9	117 5 6	105 3 7	107 14 0	119 6 4	104 10 1
July	Highest	100 8 0	103 13 0	101 8 0	96 12 0	106 12 0	107 11 0	111 12 2	118 4 0	105 12 0	108 1 0	120 0 0	104 8 0
	Lowest	99 14 0	103 0 0	101 0 0	94 12 0	105 7 0	106 15 0	110 2 0	117 0 0	105 3 0	107 12 0	119 7 0	104 6 0
	Average	100 2 4	103 4 9	101 3 11	95 14 8	106 3 4	107 4 10	110 15 0	117 10 0	105 6 3	107 13 10	119 13 0	104 6 9
Aug.	Highest	100 14 0	104 6 0	102 4 0	98 7 0	107 4 0	108 8 0	113 4 0	118 14 0	105 15 0	108 7 0	120 12 0	104 6 0
	Lowest	100 3 0	103 12 0	101 8 0	96 13 0	106 12 0	107 11 0	111 8 0	118 0 0	105 11 0	108 1 0	119 15 0	104 1 0
	Average	100 8 10	104 3 0	101 14 5	97 9 10	106 14 0	108 5 1	112 10 2	118 5 1	105 13 8	108 5 5	120 5 11	104 3 5
Sept.	Highest	100 3 0	104 2 0	101 13 0	97 12 0	106 13 0	108 5 0	113 2 0	118 10 0	105 13 0	108 6 0	120 6 0	104 1 0
	Lowest	99 14 0	103 8 0	101 4 0	96 12 6	106 4 0	108 3 0	112 15 0	118 4 0	105 9 0	108 3 0	120 1 0	103 12 0
	Average	101 0 1	103 13 9	101 7 5	97 3 10	106 7 4	108 3 7	113 0 6	118 5 7	105 11 6	108 4 10	120 2 5	103 15 6
Oct.	Highest	100 5 0	103 14 0	102 3 0	98 12 0	106 8 0	108 3 0	113 13 0	119 4 0	105 9 0	108 6 0	120 8 0	103 12 0
	Lowest	99 15 0	103 8 0	101 8 0	97 7 0	106 4 0	108 3 0	113 2 0	118 10 0	105 6 0	108 3 0	120 2 0	103 4 0
	Average	100 1 10	103 10 3	101 11 7	98 3 11	106 6 7	108 4 5	113 9 6	119 0 1	105 8 5	108 5 5	120 6 0	103 7 0
Nov.	Highest	100 8 0	103 14 0	102 10 0	98 14 0	106 11 0	108 9 0	114 0 0	119 8 0	105 6 0	108 6 0	120 12 0	103 4 0
	Lowest	100 5 0	103 8 0	102 3 0	98 8 0	106 8 0	108 5 0	113 12 0	119 4 0	105 0 0	107 14 0	120 8 0	102 15 0
	Average	100 6 7	103 10 9	102 6 10	98 11 8	106 9 9	108 7 0	113 13 7	119 7 2	105 1 8	108 1 6	120 10 8	103 1 0
Dec.	Highest	100 7 0	103 9 0	102 8 0	98 13 0	106 8 0	108 8 0	113 13 0	119 8 0	105 1 0	108 1 0	120 12 0	102 14 0
	Lowest	100 5 0	103 8 0	102 7 0	97 6 0	106 4 0	108 6 0	113 11 0	119 4 0	104 15 0	107 14 0	120 8 0	102 10 0
	Average	100 5 9	103 8 4	102 7 7	98 5 8	106 6 0	108 7 3	113 12 8	119 6 4	105 0 0	107 15 7	120 9 9	102 11 0
Highest for the year		**101 7 0**	**105 1 0**	**103 9 0**	**100 9 0**	**107 7 0**	**111 13 0**	**115 8 0**	**120 4 0**	**108 14 0**	**111 12 0**	**121 5 0**	**107 7 0**
Lowest ,, ,, ...		**98 10 0**	**102 10 0**	**100 12 0**	**91 4 0**	**103 14 0**	**106 10 0**	**109 12 0**	**116 4 0**	**104 15 0**	**107 11 0**	**117 8 0**	**102 10 0**
Average ,, ,, ...		**100 0 3**	**103 8 2**	**101 13 1**	**96 2 9**	**106 0 6**	**108 2 9**	**112 4 10**	**118 4 6**	**105 14 0**	**108 10 6**	**119 12 7**	**104 8 7**

BANK RATE CHANGES.

BANK OF BOMBAY.

		Per cent.
1902.		
January	9	6
Do.	16	7
February	13	8
March	27	7
April	10	6
May	1	5
June	19	4
July	17	3
November	6	4
December	23	5
Average		**4·778**
1903.		
January	15	6
Do.	29	7
February	19	8
March	12	7
April	16	6
May	14	7
Do.	21	8
June	4	7
Do.	18	6
Do.	25	5
July	2	4
August	20	3
December	10	4
Do.	17	5
Do.	30	6
Average		**5·082**
1904.		
February	11	7
Do.	25	6
March	10	5
May	19	4
June	16	3
December	13	4
Do.	20	5
Average		**4·147**
1905.		
February	2	6
Do.	16	7
March	9	8
Do.	30	7
April	6	6
Do.	14	5
July	6	4
Do.	27	3
August	10	4
November	23	5
Do.	30	6
December	14	7
Average		**5·101**
1906.		
January	4	8
February	1	9
March	15	8
Do.	22	7
Do.	29	6
April	26	7
May	24	6
June	21	5
July	12	4
Do.	19	3
August	9	4
September	12	5
November	15	6
Do.	22	7
Do.	29	8
December	13	9
Average		**6·263**

		Per cent.
1907.		
March	7	8
May	2	7
Do.	9	6
June	6	7
Do.	20	6
Do.	27	5
July	4	4
August	1	3
September	26	4
November	7	5
December	12	6
Average		**5·939**
1908.		
January	3	7
Do.	9	8
February	6	9
March	19	8
Do.	26	7
April	16	8
May	28	7
June	25	6
July	2	5
Do.	16	4
Do.	23	3
October	22	4
November	5	5
December	10	6
Average		**5·920**
1909.		
January	14	7
May	13	6
June	3	5
Do.	24	4
July	15	3
November	4	4
Do.	18	5
Do.	25	6
Average		**5·137**
1910.		
March	3	7
May	12	6
June	2	5
Do.	23	4
July	7	3
October	6	4
November	3	5
Do.	17	6
December	15	7
Average		**5·164**
1911.		
May	18	6
June	1	5
Do.	21	4
July	13	3
October	19	4
December	21	5
Average		**5·019**

		Per cent.
1912.		
January	11	6
Do.	18	7
February	1	8
Do.	22	7
March	20	6
May	9	5
June	13	4
July	11	3
October	3	4
November	14	5
Do.	28	6
December	12	7
Do.	27	8
Average		**5·062**
1913.		
April	3	7
May	29	6
June	12	5
July	3	4
Do.	17	3
August	7	4
September	10	5
October	10	6
Do.	31	5
Average		**5·912**
1914.		
January	15	6
May	21	5
June	4	4
Do.	25	3
August	6	4
Do.	13	5
Do.	20	6
Average		**5·405**
1915.		
June	2	5
November	4	6
Average		**5·575**
1916.		
January	6	7
Do.	13	8
April	13	7
May	25	6
June	15	5
July	13	4
August	17	5
October	5	6
November	23	7
Do.	30	8
Average		**6·423**
1917.		
February	22	7
March	15	6
August	23	5
December	6	6
Average		**6·054**

		Per cent.
1918.		
May	23	5
November	7	6
Average		**5·539**
1919.		
January	16	7
March	7	6
June	12	5
Average		**5·580**
1920.		
January	22	6
February	5	7
April	8	8
Do.	22	9
May	13	8
Do.	27	7
June	16	6
July	29	5
November	4	6
Do.	12	7
Average		**6·363**

IMPERIAL BANK.

1921.		
March	3	6
June	2	5
December	15	6
Do.	29	7
Average		**5·638**
1922.		
February	16	8
April	27	7
June	1	6
Do.	15	5
July	6	4
October	26	5
December	14	6
Do.	28	7
Average		**5·810**
1923.		
January	11	8
May	25	7
Do.	31	6
June	7	5
Do.	28	4
November	15	5
Do.	29	6
December	20	7
Average		**5·947**
1924.		
January	3	8
February	14	9
April	10	8
May	29	7
June	19	6
July	3	5
Do.	31	4
August	21	5
October	16	6
Average		**6·674**
1925.		
January	22	7
May	21	6
June	18	5
July	2	4
September	24	5
December	3	6
Average		**5·635**

		Per cent.
1926.		
May	20	5
June	10	4
Average		**4·819**
1927.		
January	1	5
Do.	13	6
February	10	7
June	2	6
Do.	23	5
July	28	4
September	8	5
December	8	6
Do.	22	7
Average		**5·726**
1928.		
June	21	6
July	19	5
November	15	6
December	13	7
Average		**6·196**
1929.		
February	14	8
April	11	7
May	9	6
June	6	5
October	10	6
Do.	31	7
Average		**6·323**
1930.		
April	3	6
July	10	5
November	20	6
Average		**5·887**
1931.		
January	15	7
May	28	6
August	6	7
September	22	8
Average		**7·046**
1932.		
January	14	7
February	24	6
April	28	5
July	7	4
Average		**5·019**
1933.		
February	16	3½
Average		**3·563**
1934.		
Throughout the year		3½

RESERVE BANK OF INDIA.

1935.		
November	28	3
Average		**3·454**
1936.		
Throughout the year		3
1937.		
Throughout the year		3

STATEMENT SHOWING IMPROVEMENT TRUST SCHEMES LOANS OUTSTANDING

Particulars.	Amount of Loan.	Rate per cent.	Amount outstanding. (31-12-37)	Date of Repayment.	Interest payable on.
	Rs. a. p.		Rs. a. p.		
FROM GOVERNMENT.					
Consolidated Loan at ..	4,12,34,207 12 0	3.3759	4,08,01,433 9 0	31st January 1981	31st January to 31st July.
Rs. 45 Lakhs Loan ..	45,00,000 0 0	4¼%	28,61,753 0 0	20th February 1982.	31st March yearly
		4½%	16,38,247 0 0		31st March 30th September
Rs. 172 Lakhs Loan ..	52,00,000 0 0	5½%	1,90,38,247 0 0	2nd October 1982.	31st March(yearly)
	8,00,000 0 0			22nd Janaury 1983.	
	82,00,000 0 0	4½%	62,61,753 0 0	Do.	31st March and
	30,00,000 0 0			14th March 1983.	30th September.
Rs. 89 Lakhs Loan ..	40,00,000 0 0	5½%	58,00,000 0 0	2nd Nov. 1983.	31st March
	20,00,000 0 0			2nd January 1984.	(yearly).
	29,00,000 0 0	4½%	31,00,000 0 0	5th March 1984.	31st March, and 30th September.
Rs. 100 Lakhs Loan ..	20,00,000 0 0			1st. Nov. 1984.	31st March
	60,00,000 0 0	5 %	74,00,000 0 0	10th Nov. 1984.	(yearly).
	20,00,000 0 0	4½%	26,00,000 0 0	2nd January 1985.	31st March, 30th September.
Rs. 70 Lakhs Loan ..	20,00,000 0 0	5½%	64,00,000 0 0	2nd October 1985.	31st March
	15,00,000 0 0		6,00,000 0 0	2nd Nov. 1985.	(yearly).
	35,00,000 0 0	4½%		2nd January 1986.	31st March, 30th September.
	8,88,34,207 12 0		8,84,01,433 9 0		
FROM PUBLIC.	Rs.		Rs.		Interest due on.
Rupee Coupon Debenture Loan.	50,00,000	4%	50,00,000	1st Nov. 1959.	1st May, 1st Nov.
Debenture Loan	30,00,000	4%	30,00,000	6th Sept. 1961.	1st Jan., 1st July.
,, ,, ...	30,00,000	4%	30,00,000	15th July 1962.	Do.
,, ,, ...	60,00,000	4%	60,00,000	20th Aug. 1963.	Do.
,, ,, ...	50,00,000	4%	50,00,000	7th Sept. 1964.	Do.
,, ,, ...	30,00,000	4%	30,00,000	12th Sept. 1965.	Do.
,, ,, ...	20,00,000	4%	20,00,000	2nd Oct. 1966.	Do.
,, ,, ...	15,00,000	4%	15,00,000	24th Sept. 1967.	Do.
,, ,, ...	30,00,000	4%	30,00,000	8th Sept. 1968.	Do.
Sterling Coupon Debenture Loan.	£5,66,600	4%	£5,66,600	1st July 1969.	Do.
,, ,, ...	£3,33,000	4%	£3,33,000	1st July 1970.	Do.
Debenture Loan	25,00,000	4%	25,00,000	28th Aug. 1972.	1st Jan., 1st July.
,, ,, ...	18,00,000	4%	18,00,000	26th Aug. 1973.	Do.
,, ,, ...	50,00,000	4%	50,00,000	4th Aug. 1974.	Do.
,, ,, ...	25,00,000	4%	25,00,000	3rd January 1976.	Do.
,, ,, ...	40,00,000	5%	40,00,000	1st Nov. 1957-79.	1st May, 1st Nov.
,, ,, ...	70,00,000	6%	66,00,000	1st April 1980	Do.
,, ,, ...	25,00,000	5%	25,00,000	16th Sept. 1956-86	1st Jan. 1st July.
,, ,, ...	25,00,000	4%	25,00,000	4th April 1961. 4th Oct. 1970.	Do.
,, ,, ...	20,00,000	4½%	20,00,000	1st Nov. 1938.	Do.
,, ,, ...	25,00,000	5½%	25,00,000	1st Nov. 1944.	Do.
,, ,, ...	10,00,000	5%	10,00,000	31st Mar. 1943.	31st March, 30th September.
,, ,, ...	10,00,000	3½%	10,00,000	14th March 1966.	14th March, 14th September.
	Rs. 6,58,00,000 £8,99,600		Rs. 6,54,00,000 £8,99,600		

STATEMENT OF LOANS RAISED BY THE BOMBAY PORT TRUST TO DECEMBER 31, 1937.

Description of Loan.	Amount raised.	Rate of Interest.	Dates on which half-yearly payments of interest are due.	When redeemable.
	Rs.			
Debenture Loans				
1904 (60 yrs.) ..	36,50,000	4%	1st Jan., 1st July.	1st Nov. 1964.
1905 „ ..	35,00,000	„	1st Feb., 1st Aug.	1st Nov. 1965.
1906 „ ..	15,00,000	„	1st March, 1st Sept.	1st Feb. 1967.
1907 (60 yrs.) ..	44,00,000	„	1st May, 1st Nov.	1st Feb. 1968.
1908 „ ..	75,00,000	„	1st March, 1st Sept.	1st Feb. 1969.
1909 „ ..	40,00,000	„	1st Jan., 1st July.	1st Jan. 1970.
1910 „ ..	56,00,000	„	1st April, 1st Oct.	1st Jan. 1971.
1911 „ ..	75,00,000	„	1st June, 1st Dec.	1st Jan. 1972.
1912 „ ..	1,10,00,000	„	1st Feb., 1st Aug.	1st Feb. 1973.
*1913 (47 yrs.) ..	14,35,876	„	1st April, 1st Oct.	31st March 1960.
1913 (60 yrs.) ..	80,00,000	„	1st Jan., 1st July.	1st Jan. 1974.
1914 („) ..	88,25,000	„	1st April, 1st Oct.	1st Jan. 1975.
1914 (30 yrs.) ..	38,75,000	„	1st May, 1st Nov.	1st Nov. 1944.
*1915 (45 „) ..	10,00,000	„	1st April, 1st Oct.	31st March 1960.
*1915 (60 „) ..	55,00,000	„	1st June, 1st Dec.	5th Oct. 1975.
*1922 (37½ „) ..	61,61,000	„	1st June, 1st Dec.	31st March 1960.
*1924 (35½ „) ..	11,51,000	„	1st April, 1st Oct.	31st March 1960.
*1926 (35$\frac{5}{12}$ „) ..	10,25,000	3½%	1st May, 1st Nov.	31st March 1960.
*1929 (30 „) ..	35,00,000	„	1st Feb., 1st Aug.	1st Aug. 1959.
*1930 (20 „) ..	38,50,000	4%	1st Jan., 1st July.	1st Jan. 1950.
*1930 (30 „) ..	12,50,000	3½%	1st May, 1st Nov.	1st Nov. 1960.
*1931 („) ..	12,50,000	„	„ „	1st Nov. 1961.
*1932 („) ..	13,50,000	„	1st March, 1st Sept.	1st Sept. 1962.
*1935 (40 yrs.) ..	24,58,000	3¾%	30th March, 30th Sept.	30th March 1975.
*1936 (30 „) ..	15,00,000	„	1st March, 1st Sept.	1st March 1966.
*1936 (23½ „) ..	48,04,000	3½%	1st April, 1st Oct.	1st April 1960.
	10,55,84,876			
Loans in England.				
1909 (30 yrs.) ..	66,66,667† (£500,000)	4%	1st Jan., 1st July.	1st July 1939.
1910 („) ..	66,66,667† (£500,000)	„	„ „	1st July 1940.
1922 („) ..	2,13,33,333† (£1,600,000)	6%	1st Feb., 1st Aug.	1st Aug. 1952.
	3,46,66,667			
Grand Total ..	14,02,51,543			

* Taken up fully by the Trustees.
† Exchange calculated at 1*s.* 6*d.* to the rupee.

TREASURY BILLS

(EXCLUDING THOSE HELD BY THE RESERVE BANK OF INDIA).

(1936-37)		Rs.
Amount issued since 1st April 1936	..	81,00,00,000
Amount outstanding on 31st Mar. 1936	..	12,00,00,000
Amount matured upto 31st March 1937	..	79,00,00,000
Amount outstanding on 31st March 1937	..	14,00,00,000
(1937-38)		
Amount issued since 2nd April 1937	..	54,00,00,000
Amount matured upto 31st December 1937		45,00,00,000

(1936-37)		Per cent.
Highest rate obtained during the year	..	1.182
Lowest rate obtained during the year	..	.432
Average rate obtained during the year	..	.774
(1937-38)		
Highest rate obtained during the year	..	1.25
Lowest rate obtained during the year	..	.4322
Average rate obtained during the year	..	.8534

PARTICULARS OF TREASURY BILLS OUTSTANDING.

Approximate due date.	Amount Issued.	Average Rate.	Tenure.	Date of Issuance.
		Rs. a. p.		
January 1, 1938	Rs. 2,00,00,000	0 11 0	3 Months.	October 1, 1937.
January 8, 1938	„ 2,00,00,000	0 11 0	3 „	October 8, 1937.
January 15, 1938	„ 2,00,00,000	0 11 0	3 „	October 15, 1937.
January 22, 1938	„ 1,00,00,000	0 12 0	3 „	October 22, 1937.
January 29, 1938	„ 1,00,00,000	0 13 2	3 „	October 29, 1937.
February 5, 1938	„ 1,00,00,000	0 14 8	3 „	November 5, 1937.
February 12, 1938	„ 1,00,00,000	0 14 7	3 „	November 12, 1937.
February 19, 1938	„ 1,00,00,000	0 13 0	3 „	November 19, 1937.
February 26, 1938	„ 2,00,00,000	0 12 11	3 „	November 26, 1937.
March 3, 1938	„ 2,00,00,000	0 12 11	3 „	December 3, 1937.
March 10, 1938	„ 2,00,00,000	0 12 11	3 „	December 10, 1937.
March 17, 1938	„ 2,00,00,000	1 0 7	3 „	December 17, 1937.
March 24, 1938	„ 2,00,00,000	1 1 5	3 „	December 24, 1937.
March 31, 1938	„ 2,00,00,000	1 4 0	3 „	December 31, 1937.
Total ..	Rs. 23,00,00,000			

STATEMENT SHOWING MUNICIPAL LOANS OUTSTANDING.

Particulars.	Amount of Loan.	Rate per cent.	Amount outstanding. (31-12-37)	Date of Repayment.	Interest due on.
FROM GOVERNMENT.	Rs.		Rs. a. p.		
Vehar Water Works Debt ..	37,30,053	4%	12,78,537 13 5	1st January 1953.	1st of each month.
Conversion Loan	*82,67,000	3½%	78,30,596 8 0	31st March 1951.	31st March.
2nd Instalment of 1½ Crores Loan.	* 25,00,000	4½%	17,01,957 10 0	31st March 1953.	Do.
	50,00,000	5½%	35,03,437 15 0	Do.	Do.
Rs. 140 Lakhs Loan ..	* 1,15,00,000	5½%	82,37,729 3 0	Do.	Do.
	25,00,000	5¼%	18,31,986 10 0	31st March 1954.	Do.
Rs. 2½ Crores Loan ..	* 1,08,26,000	5½%	79,08,661 3 0	Do.	Do.
	1,41,74,000	5¼%	92,96,805 15 0	Do.	Do.
Rs. 65 Lakhs Loan ..	65,00,000	5¼%	47,48,420 15 0	Do.	Do.
	1,28,00,000	5 %	96,83,894 9 0	31st March 1955.	Do.
Rs. 2 Crores Loan	* 22,00,000	5 %	17,67,183 1 0	Do.	Do.
	50,00,000	5¼%	39,90,167 10 0	31st March 1956.	Do.
	40,00,000	5¼%	31,92,141 3 0	Do.	Do.
Rs. 150 Lakhs Loan ..	* 30,00,000	5 %	24,32,057 13 0	Do.	Do.
	40,00,000	5 %	32,42,735 6 0	31st March 1957.	Do.
	40,00,000	3½%	33,08,471 15 0	31st March 1958.	Do.
	9,99,97,053		7,39,54,785 5 5		
FROM PUBLIC.					
			22,08,500	1st January 1943.	1st April, 1st October.
			17,00,000	Do. 1946.	
Rs. 147 Lakhs Tansa Loan..	1,47,00,000	5 %	10,00,000	Do. 1948.	
			43,00,000	Do. 1953.	
Rs. 25 Lakhs Loan	25,00,000	4 %	25,00,000	1st Nov. 1939.	1st May and 1st November.
Rs. 19½ „ „ ..	19,25,000	4 %	19,25,000	1st January 1940.	1st June and 1st December.
Rs. 24¾ „ „ ..	24,75,000	4 %	24,75,000	1st June 1943.	Do.
2nd 24¾ „ „ ..	24,75,000	4 %	24,75,000	1st August 1946.	1st February and 1st August.
Rs. 13½ „ „ ..	13,50,000	4 %	13,50,000	1st May 1948.	1st May and 1st November.
Rs. 15 „ „ ..	15,00,000	4 %	15,00,000	1st May 1949.	Do.
Rs. 30 „ „ ..	30,00,000	4 %	30,00,000	Do.	Do.
Rs. 55 „ „ ..	55,00,000	4 %	55,00,000	1st June 1942.	1st June and 1st December.
Rs. 70 „ „ ..	70,00,000	4 %	49,40,000	1st June 1954.	Do.
			20,60,000	1st June 1974.	Do.
Rs. 20 „ „ ..	20,00,000	4 %	20,00,000	1st May 1955.	1st May and 1st November.
Rs. 43 „ „ ..	43,00,000	4 %	43,00,000	1st May 1945.	Do.
Rs. 30 „ „ ..	30,00,000	4 %	30,00,000	1st January 1951.	1st January and 1st July.
Rs. 10 „ „ ..	10,00,000	5 %	10,00,000	1st July 1980.	Do.
Rs. 160 „ „ ..	1,60,00,000	6 %	1,60,00,000	1st December 1954.	1st June and 1st December.
Rs. 25 „ „ ..	25,00,000	5 %	25,00,000	1st January 1958.	1st January and 1st July.
Rs. 37 „ „ ..	26,21,500	5 %	26,21,500	1st August 1959.	1st August and 1st February.
Rs. 31.43 „ ..	26,14,000	5 %	26,14,000	1st August 1949-59	Do.
Rs. 28 „ „ ..	8,45,500	5 %	8,45,500	1st August 1954-59.	Do.
Rs. 40 „ „ ..	40,00,000	6 %	40,00,000	1st September 1950-60.	1st June and 1st December.
Rs. 9 „ „ ..	9,00,000	3½%	9,00,000	14th March 1966.	14th March and 14th September.
Rs. 24½ „ „ ..	24,50,000	3 %	24,50,000	1st February 1967	1st February and 1st August.
	8,46,56,000		7,91,64,500		

* Repayable in equated annual Instalments.

GOVERNMENT SECURITIES.

RUPEES.

(Thousands of Rupees.)

Security.	When Issued.	Amount outstanding as at 30th Sept. 1937.	When Repayable.	Dates when interest is due.
		Rs.		
3 per cent. Loan	1896	3,16,04,	At the option of Government after three months' notice.	Feb. 1, Aug. 1.
3½ per cent. Loan	1843	23,81,71,		June 30, Dec. 31.
Do.	1854	20,87,23,		May 1, Nov. 1.
Do.	1865	38,44,69,		Jan. 16, July 16.
Do.	1879	2,71,39,		June 30, Dec. 31.
Do.	1900	36,10,36,		
2½ per cent. Loan	1936	12,01,23	On or before 1st June 1952, but not preceding 1st June 1948, with three months' previous notice.	June 1, Dec. 1.
3½ per cent. Bonds	1933	55,94,37,	After 15th Nov. 1947, at 3 months' notice but not later than 15th Nov. 1950.	May 15, Nov. 15.
3 per cent. Bonds	1934	10,67,32,	On Sept. 15, 1941.. ..	March 15, Sept. 15.
3 per cent. Loan	1935	15,12,85,	On or before 15th Sept. 1954, but not preceding 15th Sept. 1951, with three months' previous notice.	March 15, Sept. 15.
4 per cent. Loan	1926	63,30,26,	On or before 15th Sept. 1970 but not preceding 15th Sept. 1960 at three months' notice.	March 15, Sept. 15.
4 per cent. Bonds	1933	14,97,18,	1st August 1943.	Feb. 1, Aug. 1.
4½ per cent. Loan	1928	9,05,70,	On or before Sept. 15, 1960, but not preceding 15th Sept. 1955, with 3 months' previous notice.	March 15, Sept. 15.
5 per cent. Income-tax free Loan*	1919	56,74,94,	After Oct. 15, 1945, at three months' notice and not later than Oct. 15, 1955.	April 15, Oct. 15.
Do. ..	1923			
Do. ..	1924			
5 per cent. Loan	1929	27,78,12,	After July 15, 1939, at three months' notice and not later than July 15, 1944.	Jan. 15, July 15.
5½ per cent. Bonds	1932	19,13,90,	On or before 1st October 1940 but not preceding 1st Oct. 1938 with three months' previous notice.	April 1, Oct. 1.
5 per cent. Bonds	1932	25,18,48,	On or before 1st October 1943 but not preceding 1st October 1940 with three months' previous notice.	April 1, Oct. 1.
		4,35,05,82,		
Post Office Cash Certificates ..	..	61,85,78,		
,, ,, Savings Bank Deposits	..	78,40,22,		
Treasury Bills	..	36,48,50,		
Prov. Funds & other unfunded debt	..	80,85,96,		
Total Rs. ..	..	6,92,66,28		

The interest on Loans marked * is exempt from Income-tax, but not from Super-tax. It will be taken into account in determining the rate at which Income-tax will be levied on other income.

GOVERNMENT SECURITIES.

STERLING.

Description.	When issued.	Total sum raised.	Amount outstanding as on 30th Sept. 1937.	Date of termination of Loan.	When Int. due.
		£	£		
India 4½ per cent. stock.	1922-23 ..	40,000,000	39,764,021	If not previously redeemed, will be repaid at par on 15th May 1955 with right to redeem at par on, or on any half yearly int. date after 15th May 1950 at 3 months' notice.	May 15. November 15.
India 4½ per cent. Stock.	1928 ..	17,500,000	17,500,000	If not previously redeemed, will be paid at par on 1st June 1968 with right to redeem at par on, or on any half yearly int. date after 1st June 1958 on giving 3 months' notice.	December 1. June 1.
India 3½ per cent. Stock.	Between 1887 & 1912.	88,767,884	88,667,884	Not redeemable until 5th January 1931, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 3 per cent. Stock.	Between 1894 & 1921-24.	77,065,347	77,024,185	Not redeemable until 5th October 1948, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 2½ per cent Stock.	1896-98 ..	11,539,986	11,539,986	Redeemable at any time at Government's option with one year's previous notice.	January 5. April 5. July 5. October 5.
India 5 per cent. Stock.	1932 ..	10,000,000	9,389,614	If not redeemed on 15th June 1942, will be repaid at par after 3 months' notice but not later than 15th June 1947.	June 15. December 15.
India 4 per cent. Stock.	May 11, 1933	12,000,000	12,000,000	If not redeemed on 15th December 1948, will be repaid at par after 3 months' notice but not later than 15th December 1953.	June 15. Dec. 15.
India 3½ per cent. Stock.	Nov. 9, 1933	10,000,000	10,000,000	If not redeemed on 15th December 1954, will be repaid at par after 3 months' notice but not later than 15th December 1959.	June 15. December 15.
India 3 per cent. Stock.	July 10, 1935	10,000,000	10,000,000	If not redeemed on Aug. 1, 1949, will be repaid at par after 3 months' notice but not later than Aug. 1, 1952.	August 1. February 1.
		Total Debt in England bearing interest.	275,885,690	@ 1s. 6d=Rs. 367·85 crores.	

PRICE OF BAR SILVER—1937.

Months.	PRICE IN LONDON PER STANDARD OUNCE (Spot).		
	Highest.	Lowest.	Average.
	d.	d.	d.
January	21—5/16 (5, 7)*	20—1/4 (30)	20·7344
February	20—3/16 (1,26, 27)	19—15/16(4)	20·0833
March	21—1/8 (4)	20—3/16 (1)	20·6771
April	21—1/2 (6)	20—3/16 (23)	20·7404
May	20—7/16 (5, 6, 14)	20—1/4 (24, 26, 28, 29, 30	20·3463
June	20—3/8 (3, 5)	19—3/4 (22)	20·0216
July	20—3/16 (9, 10)	19—13/16 (21, 22)	19·9861
August	20 (3, 4, 5, 6, 7, 9, 14 16, 17)	19—3/8d (30)	19·8475
September	20 (16, 17)	19—3/4 (1, 2)	19·8894
October	20—1/16 (9, 11)	19–13/16 (1)	19·9423
November	19—15/16 (2)	19—9/16 (8)	19·7070
December	19—11/16 (1)	18—3/16 (28)	18·4350
	Average for the year		20·0342

Months.	PRICE IN BOMBAY PER 100 TOLAS (Spot).		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	52 14 0 (4)	50 2 0 (30)	51 5 11
February	51 9 0 (27)	49 12 0 (3)	50 4 5
March	54 0 0 (4, 16, 31)	50 15 0 (1)	53 0 2
April	55 15 6 (6)	52 9 0 (22,23,27,28)	53 10 1
May	53 1 0 (14, 17)	52 8 0 (26, 28)	52 13 3
June	52 13 6 (3, 4)	51 2 0 (15)	52 0 0
July	52 9 0 (10)	51 8 6 (23)	51 15 1
August	52 0 0 (2)	48 14 0 (27)	51 6 8
September	51 10 6 (10)	50 8 6 (29)	51 1 9
October	51 4 0 (11)	50 9 6 (4)	50 13 8
November	50 14 6 (2)	49 11 6 (20)	50 3 9
December	50 0 0 (1)	46 1 6 (16)	47 11 3
	Average for the year		51 5 10

* Figures within brackets indicate the dates on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF SILVER—1937.

Months.	Monthly imports of silver bullion (bar and other kinds of uncoined silver) into British India.	Monthly exports of silver bullion (on Government and private account).	Monthly estimated off-take in Bombay.*	Monthly estimated stock of silver at the end of each month.
	(Standard	Ounces.)	(In bars of	2,800 tolas.)
January ..	13,438,518	175,726†	4,500	32,000
February ..	17,691,358	....	6,000	40,000
March ..	522,771	194,261†	3,000	35,000
April ..	1,255,769	....	2,500	30,000
May ..	2,251,310	....	4,000	26,000
June ..	6,274,014	....	3,000	24,500
July ..	3,586,929	....	3,000	23,000
August ..	2,965,957	....	2,500	21,500
September ..	4,189,462	....	1,500	21,000
October ..	229,334	....	1,500	19,000
November ..	527,960	421,481‡	2,000	16,500
December ..	414,990	1,483,649‡	4,500	8,000
Total ..	53,348,372	2,275,117	38,000	....

* The above off-take are exclusive of shipments on private account to foreign ports.
† Exports from Burma.
‡ Exports to London on Private Account.

PRICE OF GOLD—1937.

Months.	PRICE IN LONDON PER FINE OUNCE (SPOT.)		
	Highest.	Lowest.	Average.
	s. d.	s. d.	s. d.
January	142 (30)*	141 5½ (5,6)	141 8·3541
February	142 4 (27)	141 11 (3, 11)	142 1·2708
March	142 7½ (6)	142 2½ (2, 3, 10)	142 4·3125
April	142 1½ (2)	140 3½ (30)	141 3·5961
May	140 10 (3)	140 5½ (13,18,19,25)	140 7·2916
June	140 9 (1, 3, 29, 30)	140 3½ (5)	140 6·6923
July	140 6 (1, 2, 3, 5)	139 6½ (22, 27)	140 0·3333
August	140 1 (30)	139 3½ (19)	139 6·3800
September	140 7½ (10, 30)	140 0½ (1, 2)	140 4·3846
October	140 8 (5, 22, 23, 27)	140 4 (13, 14, 16)	140 6·2500
November	140 7 (3)	139 10 (17)	140 1·8850
December	140 ½ (1)	139 6 (30, 31)	139 9·3800
		Average for the year ..	140 9·0109

Months.	PRICE IN BOMBAY PER TOLA (SPOT.)		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	35 2 9 (29)*	34 15 3 (6)	35 0 9
February	35 5 6 (5)	35 0 0 (27)	35 3 0
March	35 7 6 (6)	35 2 6 (3)	35 4 0
April	35 2 9 (2)	34 5 0 (29)	34 13 11
May	35 2 6 (29)	34 3 6 (15)	34 10 4
June	34 14 6 (25, 26)	34 9 6 (15)	34 11 3
July	34 11 0 (9)	34 7 9 (26)	34 9 6
August	34 11 3 (30)	34 7 3 (9)	34 8 8
September	34 14 0 (10, 11)	34 10 0 (18)	34 11 9
October	34 13 6 (6)	34 10 6 (30)	34 12 0
November	34 11 0 (2)	34 8 0 (30)	34 9 1
December	34 8 6 (4)	34 6 3 (31)	34 7 5
		Average for the year ..	34 12 6

* Figures within brackets indicate the date on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF GOLD—1937.

Months.	Monthly import value of bar gold and coin into British India.	Monthly Export of bar gold and coin from British India.		Monthly estimated off-take in Bombay.*	Estimated stock at the end of each month in Bombay.
		Value.	Ozs. (Fine).		
	Rs.	Rs.		Tolas.	Tolas.
January ..	12,36,667	2,38,62,134	255,503	75,000	25,000
February ..	30,20,901	1,15,09,656	122,686	90,000	50,000
March ..	12,41,552	1,19,26,487	126,940	75,000	50,000
April ..	21,69,315	1,83,27,903	196,660	75,000	50,000
May ..	16,84,220	1,47,13,224	159,306	60,000	25,000
June ..	33,69,232	81,52,555	88,200	75,000	50,000
July ..	11,17,215	2,40,27,880	260,561	40,000	75,000
August ..	7,27,516	1,44,01,244	156,411	30,000	75,000
September ..	23,75,824	1,44,81,775	156,285	45,000	75,000
October ..	7,17,471	1,30,46,931	140,748	40,000	2,25,000
November ..	6,86,821	1,17,57,733	127,467	45,000	1,75,000
December ..	8,21,505	1,65,73,132	180,359	30,000	1,00,000
Total ..	1,91,68,239	18,27,80,654	1,971,126	680,000	..

* The above off-take figures are exclusive of shipments on private account to foreign ports.

CURRENCY RETURNS FOR EACH QUARTER.

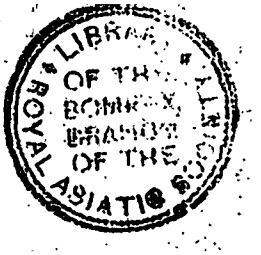
In rupees. (00,000's omitted).

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.	During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.			Highest.	Lowest.	Highest.	Lowest.	
1914.						**1926.**					
Jan.-Mar. ..	66,12	63,94	52,12	49,94	78·46	Jan.-Mar. ..	193,34	190,45	107,23	104,33	55·00
Apr.-June ..	70,26	65,46	56,26	51,46	79·34	Apr.-June ..	191,44	184,91	113,24	106,47	57·82
July-Sept. ..	75,45	60,52	61,45	46,52	79·15	July-Sept. ..	201,09	192,65	125,05	144,41	61·06
Oct.-Dec. ..	61,19	60,78	47,19	46,78	77·04	Oct.-Dec. ..	196,52	181,18	127,88	124,93	66·59
1915.						**1927.**					
Jan.-Mar. ..	61,63	59,55	47,63	45,55	76·89	Jan.-Mar. ..	184,13	180,03	126,79	124,23	68·90
Apr.-June ..	66,48	60,24	52,48	46,24	77·85	Apr.-June ..	181,60	169,68	137,10	133,10	77·40
July-Sept. ..	68,06	63,81	54,06	49,81	78·74	July-Sept. ..	181,81	173,69	144,71	138,23	79·88
Oct.-Dec. ..	63,59	62,06	49,59	48,06	77·71	Oct.-Dec. ..	183,37	178,57	145,34	138,28	78·53
1916.						**1928.**					
Jan. Mar. ..	67,73	62,42	47,73	45,51	71·68	Jan-Mar. ..	186,28	182,65	137,32	135,12	73·32
Apr.-June ..	71,39	65,47	48,23	43,25	66·81	Apr.-June ..	186,09	177,15	135,36	127,93	72·14
July-Sept. ..	75,48	71,55	52,42	48,49	68·60	July-Sept. ..	184,59	178,11	136,65	130,50	73·64
Oct.-Dec. ..	82,17	73,32	50,12	41,21	58·60	Oct.-Dec. ..	189,10	183,24	136,59	131,80	72·99
1917.						**1929.**					
Jan.-Mar. ..	86,76	84,36	40,47	37,58	45·59	Jan.-Mar. ..	192,47	188,03	132,17	130,92	69·17
Apr.-June ..	93,29	82,72	32,11	30,64	35·72	Apr.-June ..	188,98	182,82	134,86	130,62	71·45
July-Sept. ..	108,43	99,31	46,95	37,83	40·69	July-Sept. ..	187,69	185,02	145,21	136,21	76·15
Oct.-Dec. ..	114,77	108,31	53,29	46,83	44·83	Oct.-Dec. ..	187,21	179,10	145,80	140,27	78·45
1918.						**1930.**					
Jan.-Mar. ..	104,82	99,79	43,34	38,31	39·86	Jan.-Mar. ..	181,60	177,23	143,22	138,32	77·72
Apr.-June ..	114,79	105,96	37,37	36,39	33·45	Apr.-June ..	174,14	163,72	144,66	142,30	84·35
July-Sept. ..	134,38	121,41	48,39	38,75	33·96	July-Sept. ..	172,36	164,71	154,03	145,60	89·15
Oct.-Dec. ..	147,09	136,43	54,77	50,44	37·10	Oct.-Dec. ..	173,06	161,34	155,37	151,73	92·27
1919.						**1931.**					
Jan.-Mar. ..	153,46	149,74	54,88	51,16	34·96	Jan.-Mar. ..	160,99	156,53	151,59	145,29	92·95
Apr.-June ..	162,76	153,72	64,18	55,14	37·65	Apr.-June ..	160,25	152,53	152,94	146,57	95·58
July-Sept. ..	171,86	167,11	72,33	68,53	41·54	July-Sept. ..	156,51	146,22	149,34	136,74	94·74
Oct.-Dec. ..	182,91	175,28	83,38	75,76	44·40	Oct.-Dec. ..	179,30	153,93	136,15	126,55	81·47
1920.						**1932.**					
Jan.-Mar. ..	185,15	174,52	87,66	84,94	48·00	Jan.-Mar. ..	182,31	177,64	125,98	115,71	66·16
Apr.-June ..	170,74	164,34	91,52	84,97	52·65	Apr.-June ..	174,62	167,83	122,66	115,54	70·41
July-Sept. ..	163,87	157,63	94,98	94,21	58·86	July-Sept. ..	175,77	171,66	126,62	123,46	71·90
Oct.-Dec. ..	161,41	159,58	93,79	83,16	55·10	Oct.-Dec. ..	175,91	174,75	130,18	124,29	72·15
1921.						**1933.**					
Jan.-Mar. ..	166,16	163,41	89,74	86,99	53·61	Jan.-Mar. ..	176,89	174,15	137,85	134,83	77·67
Apr.-June ..	171,76	167,32	95,42	90,91	54·94	Apr.-June ..	176,66	175,46	137,84	131,67	76·94
July-Sept. ..	178,37	175,56	103,10	99,16	54·38	July-Sept. ..	179,76	176,97	134,72	132,90	74·87
Oct.-Dec. ..	179,72	172,53	104,31	98,29	57·50	Oct.-Dec. ..	180,04	177,88	134,29	131,73	74·30
1922.						**1934.**					
Jan.-Mar. ..	174,76	173,87	103,84	99,16	58·22	Jan.-Mar. ..	178,38	176,58	139,51	131,61	76·90
Apr.-June ..	176,01	171,76	105,05	100,83	59·19	Apr.-June ..	180,87	176,75	139,37	137,24	77·40
July-Sept. ..	182,26	180,41	113,99	109,41	61·59	July-Sept. ..	185,06	181,58	140,94	139,43	76·25
Oct.-Dec. ..	179,63	174,18	115,42	110,91	63·96	Oct.-Dec. ..	185,63	183,91	139,36	136,62	74·65
1923.						**1935.**					
Jan.-Mar. ..	174,70	172,65	111,37	109,37	63·54	Jan.-Mar. ..	186,10	182,85	137,19	131,66	72·63
Apr.-June ..	173,61	171,23	110,27	107,88	63·25	Apr.-June .	188,01	185,50	96,32	93,82	50·78
July-Sept. ..	179,29	175,72	121,81	114,36	64·19	July-Sept. ..	194,12	188,82	102,43	97,14	52·16
Oct.-Dec. ..	183,41	178,30	123,34	108,93	64·16	Oct.-Dec. ..	194,96	193,27	103,24	101,54	52 81
1924.						**1936.**					
Jan.-Mar. ..	186,19	184,02	104,50	102,32	55·86	Jan.-Mar. ..	195,57	193,29	103,83	101,56	52·76
Apr.-June ..	181,33	172,49	100,97	98,98	56·52	Apr.-June. ..	199,45	195,03	107,73	103,28	53·24
July-Sept. ..	179,26	176,24	107,95	104,89	54·87	July-Sept. ..	203,22	200,07	112,48	108,35	54·93
Oct.-Dec. ..	180,98	179,21	108,86	103,09	58·83	Oct.-Dec. ..	203,30	199,15	112,56	108,42	55·09
1925.						**1937.**					
Jan.-Mar. ..	184,19	181,12	106,00	98,60	54·36	Jan.-Mar. ..	208,29	203,82	108,13	106.26	51.73
Apr.-June ..	183,85	173,23	101,07	95,13	54·93	Apr.-June ..	208,41	206,68	106,18	99,00	48.53
July-Sept. ..	189,51	179,46	112,40	101,07	57·82	July-Sept. ..	213,85	208,96	106,16	101,28	49.15
Oct.-Dec. ..	191,87	189,61	112,50	105,65	57·17	Oct.-Dec. ..	214,90	213,67	107,21	103,98	49.61

FEB 25 1939

ANNUAL MARKET REVIEW

1938



PREMCHAND ROYCHAND & SONS, LIMITED.
BOMBAY.

ANNUAL MARKET REVIEW
1938.

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INTRODUCTORY.

International tension was the dominant factor in all markets in 1938, and it seems probable that the same comment may be equally applicable to 1939. The final, and sooner or later inevitable, liquidation of the Versailles " settlement " has fortunately been completed without bloodshed, and no tears need be occasioned by its demise, but the New Year will show whether Nazi policy is based exclusively and sincerely on the two overt objectives of National-Socialism—the political unification of the German-speaking peoples and the furtherance of their social and economic welfare—or whether the Hitler movement masks a new Imperialism as certain to promote a world conflagration as Kaiserism in 1914. It is widely appreciated that the Powers responsible for dictating the Versailles Treaty are not wholly free from responsibility for the present realignment of forces, and therefore for the crises recently surmounted. And if the methods employed by the Totalitarian States to effect long overdue frontier revisions have been as uncouth as unprecedented, it is due to these regimes to acknowledge that they have tackled their economic problems, despite the severe limitations imposed by exiguous natural and accumulated resources, with an energy, skill, and success which some of the more wealthy democratic States might profitably emulate. The financial methods employed in Germany and Italy have undoubtedly been unorthodox, creating grave weaknesses in their financial structures; nevertheless, in both countries, unemployment has been virtually eliminated as productive activity has increased. And, on the long view, no country can be regarded as, fundamentally, in an unsound financial position where output has been increased to such an extent that, as in Germany, as against six million unemployed when Hitler secured power, there is now an acute shortage of labour. Admittedly the high percentage of production and employment dependent on rearmament justifies anxiety and creates a dilemma soluble by international action alone. For, it is fair to admit, the activities of the aggressor States have represented, to no small extent, a reaction against economic as well as political barriers, as the sequence of events clearly indicates. The World Depression, which began in 1930, was followed by general restrictions on world trade in which the British Empire, as expressed through the Ottawa Agreements, felt impelled, in self-defence, to join. To countries such as Germany, Italy and Japan, lacking controlled markets, the consequences were serious and undoubtedly helped to mould the policies subsequently pursued. What is more, it appears improbable that rearmament activity will cease until a revival in world trade renders the relaxation possible without causing extensive unemployment. A period of industrial development in all countries was due, and would in any event have forced important readjustments of international trade during the last decade, and it would therefore be a grave miscalculation to assume that a restoration of world

trade on the pre-Depression basis remains practicable, or would solve the problems of surplus productive capacity with which all the leading industrial nations find themselves confronted. Undoubtedly, economic maladjustments are the ultimate source of the present political ferment, and it is therefore essential to identify these maladjustments and as soon as possible to correct them.

It is not always appreciated that in its earlier stages the rapid industrial development in Western countries was made possible only by a correspondingly rapid and concurrent opening-up of primary-producing countries ready, at that period, to exchange raw materials and foodstuffs for manufactures including both consumer goods and capital equipment. That phase has passed, and future productivity will depend for full utilisation less on external markets than on the success of the measures adopted in each country to raise the average income and standard of living. In that respect science has moved faster than statesmanship and has created productive equipment and capacity not yet balanced by a corresponding expansion in purchasing power, and therefore in the capacity to consume the goods produced, primary as well as secondary. In no country is that paradox more flagrantly apparent than in the United States where almost unlimited natural resources, technical skill and accumulated capital coincide with unemployment on a larger scale than in any other country in the world. That the elimination of unemployment is primarily a matter of domestic effort is best exemplified by Germany where production has increased in six years to such an extent that there is now an actual shortage of labour although the country has practically no gold reserves and has not in recent years been able to effect any considerable expansion in its foreign trade.

Doubtless a gradual reconstruction of foreign trade is necessary, and will materialise in due course, but only if based on new foundations. Much effort is still being wasted on efforts to regain "lost markets," the Lancashire cotton industry not being the only one addicted to chasing rainbows. Where the essential elements of raw materials, capital, technical skill and equipment, and also markets exist, as in India, the British Dominions and South America, no political restraints or fiscal or financial obstacles can in the long run prevent industrial developments to the limits of local capacity and requirements. It is a delusion, leading to misdirected effort and avoidable conflict, to think otherwise. Commercial and industrial as well as political frontiers are being revised today, and the revision will continue until completed: each country insisting, and rightly, on unrestricted freedom to develop to the limit of its natural resources and capacity. Any schemes designed to ignore or frustrate that determination would be foredoomed to failure as surely as the Versailles "settlement" itself.

Urging various measures of a national and international character to raise the standard of living a well-known British economist in a recent report to the Economic Committee of the League of Nations, rightly observed that we have probably to look forward to a future in which there will be changes in the *character* of international trade. Whatever its volume may be, it may well have a declining relative importance and represent a smaller percentage of our economic activities. But it will be no less indispensable for that, and may be even more decisive in assisting the advancement of material well-being, for it will tend to be concentrated upon the interchange of those commodities in which the differences in comparative advantages of production are greatest.

Fundamental Economic Changes.

To a certain extent, international trade is becoming more regional: British trade more imperial, American more pan-American, German more continental, Japanese trade more exclusively Asiatic.

In his last report, the Director of the International Labour Office drew attention to changes in the balance of economic power indicated by developments which, although not necessarily detrimental to the older industrial countries in the long run, must effect the established channels of trade, and call for consequential adjustments. These developments have influenced the economic life not only of individual countries but of continents. Thus, while Europe has recovered much of the wealth lost or destroyed in 1914/18, it has not regained its old preponderance in relation to the rest of the world. While the United States has become a creditor country, and one of the greatest money markets of the world, industrial developments has gone far in South America, Asia and Australia and the concentration of industrial power in Europe is now a thing of the past. Since 1929 Japan has increased her industrial output by some 75 per cent. and the U.S.S.R. by over 450 per cent. Of the eight principal industrial States, three are outside Europe, *viz.*, the United States, Japan and India, while the U.S.S.R. is almost as much Asiatic as European. With or without Japanese help, it also appears probable that China will one day emerge as a great industrial country. In international trade, the United Kingdom and the United States are easily first in importance, followed by Germany and France, but of the ensuing eight countries, five are outside Europe, *viz.*, Canada, Japan, India, Argentine and Australia.

Concerning immediate trends, it is pointed out in the World Economic Survey, 1937/38, issued by the Economic Intelligence Service of the League of Nations, that in the world as a whole, a number of factors are tending to sustain the demand for goods and services which were absent in the post-1929 depression. Government expenditure on rearmament is much higher than in 1930 and shows no signs of imminent reduction, quite the contrary. The liquid reserves of the banks, both in the United States and many other countries, are much greater than in 1930, so that interest rates are generally low and there is no fear of another extensive banking and financial crisis such as occurred in 1931. There is also a much greater readiness amongst monetary authorities and Governments to adopt prompt measures of monetary expansion and of public expenditure to offset a recession while the suspension of the gold standard removed fears of the effects of such policies upon the balance of payments and foreign exchanges. The absence of long-term lending since 1929 means that national economies are not liable to be disordered by the abrupt cessation of such lending, while fixed interest payments on international debts have been scaled down through repayment, conversion or default, thus reducing an item of great rigidity in the balance of payments of many countries. Today, America is following a more liberal trade policy, in contrast to the High Protection adopted in 1930, and America now has larger accumulated needs in durable goods than she had in 1929. It will, therefore, become increasingly difficult to postpone investment expenditure and increasingly easy to find useful forms of expenditure to stimulate recovery.

New Methods In International Trade.

A new effort, under official auspices to revive British exports will be a feature of 1939, and the effort will not be confined to reaping the benefits of the Anglo-American Trade Agreement alone, substantial though these should prove, directly in the form of larger shipments of British goods to the United States, and, indirectly, in the form of larger exports to the Colonies exporting primary products to the American market. The triangular character of Anglo-American trade is emphasised by the calculation that Malaya in 1937 sold 235 million dollars' worth of produce to the United States, taking American goods to the value of only nine million dollars in return, the bulk of Malaya's imports

coming from the United Kingdom. It has been aptly said, indeed, that British imports of American cotton are paid for by shipments of Malayan rubber to America. The new Agreement, therefore, should be mutually beneficial over a very wide area.

The development which has stirred the British Government, and leading export industries, to new activity is that presented by the threatened application of Totalitarian trading methods on a larger and more intensive scale, firstly in Central and South Eastern Europe, and, at a later stage, further east. As between Soviet and Totalitarian methods, the difference is mainly one of nomenclature, the Nazi campaign being rather more dangerous owing to the greater skill and energy with which it is being applied. Russia is too preoccupied with internal developments and requirement for her State-controlled economy to emerge at this stage into an international menace, but the Nazi threat is more insistent and imminent, and immediate steps are being taken to counteract it : in the first instance by consultations designed to lead to amicable agreements affecting common markets, or, alternatively, to competitive campaigns by organised export units, reinforced by Government support, diplomatic and financial. For purposes of external trade Nazi Germany already functions in effect as a single co-ordinated enterprise, on a national scale under centralised control, employing every conceivable device of finance and organisation to gain business, and, latterly, endeavouring to extract advantages for its export trade even from its punitive measures against the Jews. One of Germany's methods is to pay selected producing countries more than the world price for its surplus raw materials and foodstuffs, forcing on them, in return, very often German goods which they do not want, at prices they would not have freely paid. By such methods as a British Minister has stated, Germany is obtaining an economic stranglehold on these countries at the cost of her own people, raising the cost of living in Germany, and exporting her goods at less than cost price. Despite these desperate expedients the German trade balance is again showing an unfavourable trend, and that, although German exports are already subsidised to the extent of 30 per cent., additional shipments are to be promoted by every available device to pay for the increased raw materials required by industries working to full capacity, largely on rearmament contracts. The phrase " profitless prosperity " is probably more applicable to Germany than to any other country. Recent frontier revisions have added ten millions to the population of the Greater Reich, yet there is no shortage of employment although that the work provided sometimes takes exceptional forms is that at one time last year 400,000 men were employed on new defence fortifications alone. Every industrial unit is regimented, and in a state of permanent mobilisation, for purposes peaceful or otherwise, as the Nazi regime may dictate. Wages, prices, markets, supplies and finance are all under unified control, the Government acting, *de facto*, as sole importer and exporter. Trade follows the swastika. The absorption of Austria and the Sudetenland was prompted as much by economic as by racial considerations, and Czechoslovakia, with its valuable resources, is now a vassal State—in effect, part of the new German economic empire whose domains range far beyond the frontiers of the Greater Reich itself, and will be extended further yet. " South-East Europe and Asia Minor," the Nazi Minister of Economics proclaimed after his recent tour, " possess almost everything Germany needs." The Nazi programme is to develop the agricultural productivity of the neighbouring States, offering assured markets at stable prices for their surplus produce, subject to preferential importation of German manufactures, and aiding their development still further by financing capital projects, utilising German equipment

and technicians, by means of long-term credits. Such a programme is open to criticism only when it seeks to establish monopolies inimical and unacceptable, to the countries concerned. There are ample indications that Germany's smaller neighbours, while ready and anxious to trade with the Reich, have no desire to fall under Nazi domination and British trade policy is being shaped on that assumption.

Export credits, recently made more elastic, will be one of methods employed to assist British trade, and it is not contemplated that their application should be limited to South-East Europe alone. Other methods will be employed, if required. In particular, the British Government are encouraging British industries to combine into specific, co-operative export units, functioning abroad in a corporate capacity instead of as individual enterprises, and utilising " fighting funds " to counteract price-cutting, subsidies, and unfair competition in all its myriad forms. Close co-operation has undoubtedly contributed to the ability of the British iron and steel industry in its negotiations affecting the division of foreign markets, and further developments along this line are expected. Conflict is not unavoidable if German industries prefer co-operation but alternatively it will not be shirked and the superior financial resources of Great Britain will in that event play a decisive part in the fight.

International Investment.

Conditions throughout 1938 were almost uniformly adverse to any appreciable revival of international investment and despite the homilies of economic theorists, effective renewal of this traditional method of facilitating and expanding world development and trade appears remote. Although there are still many countries which would benefit by utilising imported capital and the technical equipment it would help to finance, circumstances affecting creditor and debtor countries alike remain persistently prejudicial to this fruitful kind of co-operation and, assuming a continuation of present doctrinal and financial trends, it is difficult to foresee a time when international investment, on the former scale, might be profitably resumed. Deliberate defaults, and measures of expropriation by certain debtor countries, and reluctant inability to meet acknowledged obligations in other cases, are not the only deterrents. For the tendency in certain quarters to divide the Great Powers into rival ideological camps combined with the close control over external investments now exerted by the governing authorities in all creditor countries—has led up to a position in which the decisive consideration concerning every potential new oversea investment is not only " Is it financially sound ?" but, of equal or greater importance ; " Is it politically desirable ?" And, in most instances, the official rejoinder is a double negative. The necessity of subordinating financial to diplomatic considerations is particularly manifest in relation to Powers, such as Germany, Italy and Japan, whose domestic economies are themselves subordinated to rearmament programmes, allied to policies palpably inimical to peace and economic recovery. But the difficulty does not end there. For to the extent that, in the creditor countries, counter-rearmament has become necessary, the conservation of financial resources as an item in national defence programmes has rendered suspension of new investments abroad not only desirable but unavoidable, to the great detriment of every interest concerned, munition-making industries alone excepted.

Herr Brinkmann, Secretary of State in the Ministry, in a recent speech gave a number of figures on the German financial situation from which it appears that the deficit of the Nazi Treasury has reached the appalling total of £100,000,000 a month : a gap which suggests that the " fine " of £83

million imposed on the Jewish community may be only the first of a series of similar levies, which will not be restricted to the Jewish fraternity alone. Creditor countries in such circumstances can hardly afford to be indifferent to the purposes to which loans might be applied, and the practical consequences include, not merely a severe curtailment of the normal range of international investment, but a formidable obstruction to the process of economic relief and political appeasement which the British Government, under Mr. Chamberlain's leadership, in the face of almost insuperable difficulties—created mainly by the discontented Powers themselves—is endeavouring to pursue. Rearmament programmes, which in Germany have attained unprecedented dimensions, cannot be dissociated from the aggressive policies of which they are the instruments. Nor has the policy of reconciliation between the Democratic and Creditor Powers on the one hand and the Totalitarian Powers on the other, been assisted by the increasing proneness of the Rome-Berlin-Tokio alliance to become not only anti-Comintern, but anti-Democratic. In the absence therefore of new political philosophies and alignments, and for the purpose of estimating trade and financial prospects in 1939, international investment as a means of recovery and progress may be disregarded as an instrument that has ceased to function.

As estimated by Sir Robert Kindersley in his annual analysis in the "Economic Journal," Britain's oversea investment income in 1937 (the last year for which detailed figures are available) was £197·7 millions, of which £176·6 millions is accounted for by income from quoted investments and £21·1 millions from private and unquoted investments. The amount from quoted securities compares with the low level of £138·8 millions in 1933 and the high level of £212·4 millions in 1929. Thus, by 1937 just over half the ground lost between 1929 and 1932 had been recovered, and Sir Robert records his opinion that it is possible that a further small increase may have accrued in 1938. The nominal amount of British investments in quoted securities in 1937 was £3,353,000,000, or, including unquoted investments £3,753,000,000. The unfavourable effects of a sharp decline in profits cannot be postponed indefinitely, and, failing a substantial recovery from the present recession, a considerable drop in receipts may be anticipated in 1939 and 1940. Total interest and dividends from companies registered abroad at £50·6 millions in 1937 was the highest since 1930, compared with £48·5 millions in 1936 and £43·4 millions in 1934. So far as the future of foreign companies is concerned, it is noted that, although somewhat less directly affected by prices, earnings "will be adversely influenced by the shrinkage in world trade, by the sharp fall in the profits of American concerns and by special circumstances such as the expropriation of the Mexican Eagle Oil Company. Remittance of dividends and interest will again be impeded by the exchange position of South American countries which, after a considerable improvement, has again undergone unfortunate deterioration." It is further emphasised that in the absence of a comprehensive settlement of the problem of defaulted bonds, no recovery in interest on Government and Municipal loans can be anticipated, while, on the other hand, there is reason to believe that conversion operations may result in a further reduction in later years.

The practical significance of these figures to countries exporting largely to the British market is that, unless British imports are to decline, owing to a smaller income from ovesea investments, British exports must be increased,—a necessity calculated to promote hard bargaining by the British Government in all future trade agreements. To such a development the sole alternative is a downward adjustment of the British standard of living, leading to smaller imports by a different route.

THE ANGLO-AMERICAN TRADE AGREEMENT.

Lower Tariffs And Higher Purchasing Power.

Valuable as it undoubtedly is, as a symbol of constructive co-operation between the world's two greatest nations and as a significant contribution to the lowering of tariff barriers throughout the world, the Anglo-American Trade Agreement would have been of small immediate benefit to exporters to the American market if it had not been preceded, and accompanied, by the new Roosevelt Recovery movement, to which the " spending-lending " programme of the Federal Government, so far, has been the most potent single contribution. There has been considerable and acrid criticism of the substantial additions to the American public debt resulting from the successive Roosevelt relief and recovery programme, but there is solid justification for the President's unflinching insistence on the need of continued Government spending if production and employment are to revert to satisfactory levels. Until private enterprise revives, public investment must fill the gap, even if all the new expenditure incurred is not of an immediately productive character. A position such as that with which President Roosevelt finds himself confronted—a country of unequalled natural and acquired resources, possessing all the technical and financial resources necessary to assure an exceptionally high standard of living, but nevertheless still burdened with an army of ten million unemployed—is palpably indefensible, and justifies measures of relief and recuperation of a character and magnitude whose validity cannot be tested by their adherence to orthodox principles alone. In all countries public investment is of increasing importance, partly owing to the necessity of accelerating progress in fields into which, for various reasons, private *entrepeneurs* are not disposed to venture.

This is particularly true of the United States where, for some years, private investment has sunk to abnormally low levels, not as the result of the " New Deal " policies alone. To some extent as the outcome of mechanised production, in which American technical genius finds full scope, productive capacity has run well ahead of the purchasing power distributed in the form of salaries and wages, and, without State intervention, there is no foreseeable probability of that gap being narrowed. Consequently, if slumps of increasing frequency and intensity are to be avoided, large Government " spending and lending programme " have come to stay, although they may vary in range and volume as private enterprise waxes and wanes. President Roosevelt has made it plain, that in that respect, the changes in the composition and attitude of the new Congress will leave his programme unaffected. " Violent contraction before the natural expansion of private industry is ready to take up the slack," he has announced, " would mean not only human misery but the disruptive withdrawal from American industry of a volume of purchasing power which business needs at this time." He also proposes, circumspectly, a change in budgetary statements to conform more closely with the practice of private business by showing permanent improvement and recoverable assets on the Government books. His message to Congress in December therefore included a table showing that since 1930 these assets have reached a total of 18,431,000 dollars including the 2,000,000,000 Stabilization Fund for currency adjustment. This table, the President maintains, " clearly shows that the greater part of the deficit and the larger part of the increase in public debt have gone for permanent additions to our national wealth... We have not been throwing the taxpayer's money out of the window or into the sea. We have been buying real values with it." Equally germane is the Roosevelt thesis that,

in addition to much of the Government outlay being represented by durable assets, it holds the further possibility of raising the national income to the 80-billion dollar level warranted by the country's natural and acquired resources if these are fully utilised and to the best advantage. The fact that in Totalitarian Germany, whatever criticisms may be made concerning Nazi methods of trade and finance, there is to-day an acute shortage of labour certainly lends itself to the reflection that what Germany has accomplished, with her limited funds and resources, America should be able, with her vastly superior advantages, not only to equal but to excel; and presumably the extensive new rearmament programme, sponsored by President Roosevelt and unanimously endorsed by a now fully awakened and indeed alarmed public opinion, will assist in that direction.

Of major importance to countries sharing the benefits of the Anglo-American Trade Agreement, from which Germany has been excluded, is the fact that the reduction of American import duties have been given additional value by the revived purchasing power resulting from the cumulative domestic recovery which, as attested by all American indices, is now proceeding. Contending that the second American depression, which started a year ago and reached its depth last June, was due to "too sharp and rapid a reduction" in Government outlay, American official economists maintain that if national income in 1939 reaches 75,000 million dollars, the Budget will be balanced owing to increased yields from existing taxes without adding new imposts. In 1932, prior to the "New Deal" programme the national income was little more than 46-1/2 million dollars. The lower tariffs operative this year will stimulate world trade only to the extent that this year's enlarged national income finds expression in larger imports of world staples. To no slight extent the recent recession in world trade has been traceable to the reversion of the U.S.A. to the position, anomalous on the part of a creditor country, of an active balance of trade. The cessation in new American investment abroad is explicable but the necessity remains of allowing debtor nations to meet existing obligations, and this is difficult so long as America exports more than she imports, as in 1938. The advance in the index of American industrial activity encourages the hope that, in 1939, imports of raw materials will regain more satisfactory proportions, to the great advantage of primary producing countries especially in the British Empire.

Rearmament and Recovery.

In his New Year Message Herr Hitler, who described 1938 as "the richest harvest year" in Germany's history, defined the two principal tasks before Germany in 1939 as further strengthening of the armed forces, and further extension of the Four-Year Plan. The decision to make still further additions to Germany's armed forces, in view of the territorial accretions made to the Reich in 1938 can hardly be regarded as presaging a year of political tranquillity, and British rearmament is undoubtedly being accelerated owing to apprehensions, despite the Munich Agreement, that Nazi ambitions, especially in Eastern Europe, have not yet been satiated. Meanwhile, German economic as well as military aims are occasioning concern, and their immediate range is indicated by the declaration of the spokesman of the Ministry of Economics that what can be done by Germany to promote the exchange of goods and services with South Eastern countries will be done. Germany will give preferential tariffs for imports of agricultural produce; stable prices, mostly higher than the world level; guaranteed markets, and long-term trade treaties. She will also co-operate in the indus-

trialization of the South Eastern European countries, not only by placing German experience at their disposal, but also by financing undertakings through delivery credits. "Today", it is boasted, "an economic axis from the North Sea to the Black Sea is a reality, and Germany will know how to strengthen this axis further to the advantage of Great Germany and the countries of South Eastern Europe bound to it in friendship."

British exports to South Eastern Europe are not large enough to make that area of more than secondary concern, and, despite Nazi insistence on the potential economic possibilities of these new markets, it may be assumed that the Reich Government would gain more from a favourable trade treaty with the signatories of the Anglo-American pact than with all the Near East countries combined. The anti-Jewish campaign, however, has ruled out closer economic or political collaboration between the Anglo-Saxon Powers, and Germany indefinitely, and if the British Empire and the United States are now allies for purposes of defence as well as trade that is an act of statesmanship of which only Herr Hitler was capable. Dr. Schacht and other expositors of German economic policy are increasingly insistent that a nation of 80 millions is incapable of sustaining its standards of living without an ever-expanding trade with other nations, but her political and diplomatic policies represent a repeated frustration of the economic objectives thus exposed. The inclusion of Austria and the Sudetenland has increased, rather than diminished Germany's need of food and raw materials, and only an enlarged foreign trade can make such imports possible. Germany's industrial position is strong, but her trading and financial position is weak. According to the half-yearly report of the Reichs Kredit Gesellschaft, last autumn the volume of industrial production exceeded that of 1929 by a third and that of 1932 by 146 per cent. The national income amounted last year to 76,000 million marks compared with 45,000 million in the year before Herr Hitler's accession to Power. As an importer, however, Germany's position is particularly difficult since her balance-sheet lacks almost all those credit items which might be used for the adjustment of the international balance. She has hardly any reserves of gold or foreign exchange, no capital investments abroad, no colonies to supply raw materials payable in German currency. Moreover, German economy is burdened with foreign indebtedness equivalent to £800 millions, by restrictions in oversea markets, and finally by the maintenance of her currency at its old gold parity while other nations have resorted to devaluation. Germany, Dr. Schacht admitted recently, is not self-sufficing and never will be in all fields. It is highly dependent on imports of foodstuffs and raw materials. "As soon as her creditors are ready to take action along with the Reich to set aside the consequences of the War tribute a door will be opened through which Germany can return to multilateral trade and a system of free international payments." This statement by the President of the Reichbank is a frank acknowledgment that, at best, the self-sufficiency programme is a temporary expedient, to be superseded as soon as financial and other conditions permit. Meanwhile adherence to the slogan that "Guns are better than butter" is expected, in 1939, to be reflected in at least one butterless week a month.

As against the progressive increase in German armaments must be set the rapid accumulation of new offensive and defensive equipment now piling up in Great Britain, France, and the United States. Whereas, moreover German production must be nearing its attainable maximum, the Anglo-Saxon countries in particular are only just beginning to get into their stride, and their technical capacity

and financial staying power are undoubtedly superior, and must ultimately prove the decisive factor in the maddest armaments race on which the world has ever embarked. Perhaps hardly less important than the rearmament programmes of the three leading democratic and creditor Powers is the more or less joint economic recovery now perceptible in each country. For, whether in diplomatic negotiations or in actual warfare, victory does not depend on military equipment alone, and it is more than an accidental coincidence that the bolder diplomatic front now being displayed by America and France has followed the recuperative process referred to. The Roosevelt remedy in America, and the Reynaud plan in France, are proving equally efficacious, although pursuing similar objectives along very different routes. Both plans, however, aim at increasing production, of peace as well as war materials, and in both cases increased production is undoubtedly the only road to balanced budgets. In Great Britain the recession, due largely to the American set-back, has been checked if not yet reversed, and the 1939 prospect is viewed with growing confidence both in official and commercial circles. As in the United States, steel production is again on the upswing, and there is no more reliable index of a general recovery in constructional activity.

Securities.

New capital issues in the United Kingdom, as calculated by the Midland Bank, amounted to £118,097,565, a decline of £52,808,626 below the 1937 total which in turn was £46,315,034 below the figure for 1936—the best since 1930. The 1938 total is the lowest since the Great War, excluding only 1931-1932. Banking profits have been fairly well maintained, but Great Britain has in her shipping industry, her railways, and her cotton industry three vital enterprises whose present plight is occasioning legitimate anxiety. The steadily worsening position of British shipping is due less to trade fluctuations than to subsidised competition on both sides of the Atlantic. It would be pessimistic, in view of British financial resources and unrivalled technical experience, to regard the shipping problem as insoluble. The railway position may prove more intractable, owing to road motor competition, and its magnitude is indicated by a decline in the net income of the railways last year aggregating nearly £11 millions. Most difficult of all is the position of the Lancashire cotton industry which appears likely to retain a substantial trade only with countries lacking mills of their own, always excepting trade in special quality materials in which Lancashire's technical capacity is unrivalled. In regard to the bulk trade, it is, however, plainly apparent, except perhaps to Lancashire itself, that a progressive decline in export demand is the inevitable accompaniment of diversifying production in its former markets, and that no amount of "reorganisation" can revive a trade thus lost.

The aggregate value of the 365 Stock Exchange securities selected by the Bankers' Magazine for the purposes of its index number fell from £6,732,395,000 on December 16, 1937, to £6,243,214,000 on December 15, 1938, a reduction of £489,181,000, or 7·3 per cent. Fixed interest stocks depreciated by 6·2 per cent. and variable dividend securities by 9·6 per cent.

India.

Although most of the important nations of the Eastern Hemisphere suffered from political disturbances at home or nearer home, India was blessed with comparative internal peace and political stability. With the exception of two minor constitutional crises, which were easily surmounted,

India's internal politics were marked by friendly co-operation and constructive opposition between the various political parties within the country. The experiment in democratic form of Government in the provinces which commenced in April 1937 proved to be overwhelmingly successful during 1938. In the economic sphere, however, India had to fall in line with other nations and her internal economy as well as foreign trade and commerce were badly hit by political events abroad. The economic history of India for 1938 would have been entirely different but for political uncertainty and unrest abroad. The Sino-Japanese conflict in the Far East and friction between the totalitarian and democratic states in the West helped to completely undermine confidence which had already been shaken towards the end of 1937. The downward spiral of prices and international trade which commenced in the last quarter of 1937 continued its course throughout 1938, as can be seen from the Government of India's index number of wholesale prices (1914=100) which declined from 110 in March 1937 to 100 in March 1938 and 99 in November 1938, and would have recorded a much greater decline but for the sharp rise in the price of sugar. The index for this commodity jumped up by nearly 39 points between December 1937 and October 1938.

In economic discussions cause and effect are generally not easy to distinguish but in describing the economic recession of 1938 one can say with some confidence that reduced purchasing power abroad was primarily responsible for the shrinkage in India's foreign trade and the consequent fall in prices and accumulation of stocks. The total value of India's foreign trade amounted to Rs.322 crores in 1938 as against Rs.374 crores in 1937, a decline of approximately Rs.52 crores or 14%. A 20% drop in the exports accounted for Rs.41·67 crores out of the total decline of Rs.52 crores whereas imports declined by only Rs.10·81 crores or 6½%. Total exports (including re-exports) of merchandise aggregated Rs.168·56 crores in 1938 as against Rs.210·23 crores in 1937 and Rs.185·25 crores in 1936. Imports of merchandise totalled Rs.153·44 crores in 1938 compared with Rs.164·25 crores in 1937 and Rs.124·45 crores in 1936.

The decrease in the value of exports was the combined result of lower commodity prices and smaller demand for Indian produce even at lower prices. In the case of cotton which constitutes one of the largest individual items of export, the decline was about 41% in terms of value and 34% in terms of quantity. In 1938 India exported 2,553,785 bales of raw cotton (of 400 lbs. each) valued at Rs.23·06 crores as against 3,643,629 bales in 1937 valued at Rs.39·56 crores. Exports of Jute manufactures in 1938 amounted to 963,182 tons valued at Rs.26·20 crores as against 1,031,435 tons valued at Rs.29·63 crores in 1937. Similarly imports were down in value during 1938 as compared with 1937 partly owing to lower prices of the imported commodities. For example, during the first 11 months of 1938 Indian imports of cotton piecegoods were down by approximately 8·64% in value, but up by 7·27% in quantity in comparison with 1937 figures.

Imports of raw cotton were up by 19·75% in value and 33·18% in quantity; of cotton yarn by 2·61% in value and 35·04% in quantity; and of mineral oils by 3·35% in value and 11·67% in quantity. In the case of metals, on the other hand, the decline in terms of value was 22·41% and in terms of quantity 34·58%.

It would perhaps be possible to conclude from the above figures that India's import demand is more rigid than the world demand for her exports, and it is not surprising, therefore, that her favourable merchandise balance of trade which amounted to Rs.45·97 crores in 1937 was reduced by over 67% to Rs.15·12 crores in 1938.

The exchange problem of all agricultural countries is inclined to be cyclical because of wider fluctuations in their export trade in comparison with their import trade and in the case of India, the fluctuations are all the more acute because of comparatively large invisible imports. Such imports consist of remittances for interest payments on her sterling debt aggregating £273 million, and payments of various services as well as pensions and salaries of past and present foreign employees of the State. Annual remittances to London on Government account alone amount to about Rs.48½ crores and in a year of falling exports the authorities have found it hard to complete their annual remittance programme.

In order successfully to maintain the exchange value of the currency of any country over a period of years, it is essential to maintain a balance between its import trade and its export trade. If this cannot be achieved, the problem of maintaining the exchange value of the currency of the country at a stabilized level would be extremely difficult, whatever be that level. India has succeeded in maintaining the stability of its currency in relation to sterling at 1s*h*. 6*d*. to the rupee ever since October 1924 and yet she has had periods when her net balance of trade, including invisible items, has been considerably against her. The explanation for this anomaly lies in the facts exhibited by the following table:—

YEAR.	Merchandise Balance of Trade.	Remittances of Funds.	Net Balance of Trade.	Net Treasure Movement.	Net Borrowings in London. (—)	Repayment of Loans in London. (+)
	(Crores of Rupees.)				(Millions of Pounds.)	
1924–25 ..	+ 155·01	— 57·14	+ 97·87	— 94·27	....	....
1925–26 ..	+ 161·13	— 62·87	+ 98·26	— 51·88	....	....
1926–27 ..	+ 79·46	— 1·20	+ 78·26	— 39·33	....	....
1927–28 ..	+ 81·96	— 37·84	+ 44·12	— 32·19	2½	....
1928–29 ..	+ 86·47	— 41·39	+ 45·08	— 34·36	4	....
1929–30 ..	+ 78·98	— 21·01	+ 57·97	— 26·20	6	....
1930–31 ..	+ 62·03	— 0·08	+ 61·95	— 24·43	36	....
1931–32 ..	+ 34·83	— 34·32	+ 0·51	+ 55·65	....	5
1932–33 ..	+ 0·03	— 48·63	— 48·60	+ 64·92	1¼	....
1933–34 ..	+ 33·02	— 60·44	— 27·42	+ 57·23	9	....
1934–35 ..	+ 19·31	— 49·78	— 30·47	+ 52·54	....	....
1935–36 ..	+ 30·35	— 46·45	— 15·90	+ 36·37	....	2
1936–37 ..	+ 77·76	— 71·34	+ 6·42	+ 14·50	....	16·8
1937–38 ..	+ 16·21	— 29·90	— 13·69	+ 14·36	....	3

N.B.—(+) In favour of India. (—) Against India.

It can be seen that in a year of low exports and small merchandise export surplus, India balanced her trade either by exploiting the high credit which the Government of India enjoy in the London capital market and floating sterling loans, or by exporting treasure. Between 1927-28 and 1937-38

the Government of India borrowed on balance about £32 million in the London market and in addition to this Rs.295·57 crores worth of treasure was exported between 1931-32 and 1937-38. Previous to 1924 India balanced her trade by adjusting her exchange rate and attempts at stabilizing her currency in terms of sterling or gold did not meet with much success. Although the present exchange relationship between the Rupee and sterling has been successfully maintained for more than fourteen years, for the last seven years this has been possible mainly because of large exports of gold. Since India cannot indefinitely continue to export gold for the simple reason that she does not produce gold in any large quantity (her exports represent liquidation of hoarded gold), ways and means should be found to balance her trade by regulating her imports. To-day India's import trade is more rigid than her export trade because she mainly imports manufactured articles which are more of necessities than luxuries and because her invisible imports consist of items which cannot be varied to any appreciable extent. The only alternative, therefore, is to increase the pace of industrialization in the country and make it self-sufficient at least as far as necessities of life are concerned. This is the only way in which Indian imports of manufactured articles can be controlled. Simultaneously an active foreign trade policy can be utilized in stimulating Indian exports which have suffered considerably in recent years because of high tariff walls in other countries.

In the post-war years the nature of Indian trade was such that she had a large unfavourable balance in her trade with the United Kingdom and a favourable balance in her trade with other countries, but the latter in their turn had a favourable balance of trade with the United Kingdom so that when the triangle was completed, the accounts of all countries concerned balanced. Furthermore, since the entire triangular trade was, as a rule, financed by sterling bills on London the effect on the exchanges of the various countries concerned was very temporary. After the crisis of 1929 and more particularly, after the abandonment of the Gold Standard by Great Britain in 1931, the entire nature of international trade has changed from a multilateral basis to a bilateral basis. Even Great Britain has had to impose considerable restrictions on her import trade in order to divert it to channels through which her exports flow out; and if India were to follow in the noble footsteps of the U.K. she could, in all probability, increase her exports as successfully as other countries have done. The Government of India were guided by the very principle when they signed the trade agreement with Japan in 1937 and we hope that they will not let it slip out of their mind when they set the seal on the Indo-British trade agreement, or for that matter, in making any trade agreement for India.

A table showing the percentage distribution of India's **exports** *according to commodities (values).*

Year.	Grain pulse & flour.	Tea	Hides and skins.	Seeds including nuts for oils.	Cotton raw and waste.	Jutes raw and waste.	Other raw materials.	Jute manu-factures.	Cotton yarns and manu-factures.	Other manu-factures.	Other commo-dities.
1934 ..	6·80	13·80	6·00	7·17	22·72	6·93	13·54	14·15	1·66	6·21	1·02
1935 ..	8·77	12·80	6·06	5·66	20·70	8·58	13·54	14·82	1·81	6·23	1·03
1936 ..	7·54	11·32	5·97	8·57	22·84	7·65	12·41	14·67	1·85	5·56	1·62
1937 ..	6·35	11·80	6·75	8·13	19·95	8·03	13·25	14·65	4·12	5·21	1·76
1938 ..	4·99	14·57	5·51	9·85	14·75	7·55	14·59	16·19	4·70	5·61	1·69

A table showing the percentage distribution of India's **imports** *according to commodities (values).*

Year.	Grain, pulse and flour.	Oils—Veg., Mineral and Animal.	Cotton raw and waste.	Cotton yarns & manufactures.	Chemicals, drugs and medicines.	Cutlery and hardware.	Dyes and colours.	Electrical Goods and machinery.	Metals—Including Iron & Steel Manufactures.	Paper and pasteboard.	Vehicles excl. Loco. for Rys.	Other textile manufactures.	Other commodities.
1934 ..	1·99	5·35	3·12	16·13	4·05	4·18	3·28	11·92	8·48	2·62	4·98	9·00	24·90
1935 ..	1·24	5·48	5·72	16·08	4·16	4·17	3·07	12·56	8·08	2·68	4·98	7·18	24·60
1936 ..	0·91	5·45	3·79	15·12	4·03	4·68	3·15	14·54	8·07	2·90	5·10	7·52	24·74
1937 ..	5·60	9·70	6·12	9·56	3·68	4·13	3·21	12·01	8·17	2·94	5·25	7·45	22·18
1938 ..	6·42	10·62	7·21	9·52	3·73	3·78	3·13	15·09	6·98	2·55	4·40	4·77	21·80

A table showing the percentage distribution of India's merchandise **exports** *according to countries (values).*

Year.	U. K.	British Empire excluding U.K.	Germany.	Netherlands.	Belgium.	France.	Italy.	Japan.	U.S.A.	Other countries.
1934 ..	33·08	13·60	5·22	2·32	2·70	3·39	3·85	14·66	8·46	12·72
1935 ..	30·95	14·91	5·44	2·07	3·37	4·17	2·87	13·71	9·84	12·67
1936 ..	33·22	13·64	5·37	2·64	3·51	4·30	1·70	15·05	9·21	11·36
1937 ..	32·36	15·46	5·69	2·61	3·82	3·36	3·42	12·37	10·30	10·61
**1938 ..	34·44	19·72	4·42	1·95	2·26	3·74	1·87	9·53	8·76	13·31

** These percentages do not take into account Rs.9·36 crores worth of 'FOR ORDERS' cargoes, which have so far not been allocated.

A table showing the percentage distribution of India's merchandise **imports** *according to countries (values).*

Year.	U. K.	British Empire excluding U. K.	Germany	Netherlands.	Belgium.	France.	Italy.	Japan.	U.S.A.	Other countries.
1934 ..	40·47	8·55	7·70	1·04	1·74	1·20	2·41	15·57	6·72	14·60
1935 ..	39·26	10·00	8·41	0·99	1·58	0·95	1·83	15·99	6·61	14·38
1936 ..	39·01	10·36	9·77	1·03	2·26	0·93	0·63	17·19	6·66	12·16
1937 ..	31·51	22·01	9·18	0·90	2·00	0·92	1·55	13·95	6·40	11·58
1938 ..	31·33	25·97	8·38	0·92	1·94	0·87	1·72	10·18	7·45	11·24

Upto 31st March 1937 the figures in the above 4 tables include the direct foreign trade of Burma. From 1st April 1937 the direct foreign trade of Burma has been excluded and the trade of British India with Burma has been included.

The Indo-British trade talks which were set afoot last year remain inconclusive to the end of 1938, although efforts were made towards arriving at definite conclusions by both the Government of India and the British Board of Trade. The Commerce Member had to pay two flying visits to London and the Lancashire delegation visited this country for a brief period to have direct discussions with the panel of non-official advisers to the Government of India and also with the members of the Government. The delegation was made to realise that the industrialisation of India could not be arrested and the needs of the Indian population would be met by the indigenous industry. Imports of

Lancashire products would have to depend on the quantity of cotton which Lancashire would be prepared to buy from India. According to press reports the course of negotiations was evidently strewn with insurmountable difficulties and as expected, the discussions ended inconclusively and abruptly. The failure was reported to be due to the impossible demands put forth by the Lancashire delegation. They were not even prepared to guarantee cotton purchases of any reasonable size, while, on the other hand, they insisted on a reduction of import duty. They asked for the introduction of a sliding scale, together with a guarantee that a minimum quantity of million yards would be imported every year. Actual imports from Lancashire have not exceeded 290 million yards during 1937 and about 230 million yards in 1938, and it is obviously impossible for the authorities concerned to guarantee a yearly quota of 660 million yards. The Hon. the Commerce Member of the Government of India had to make a third trip to London to find a way out of the impasse and while the negotiations that he conducted are kept a guarded secret, from all available indications it would seem that no agreement was reached on any of the vital issues raised by Lancashire. Sir Mahomed Zafrulla Khan, on his return from London, told the Indian Central Legislative Assembly that he hoped that a decision would shortly be reached, one way or the other. In the meantime, the Government of India have already intimated to His Majesty's Government that the Ottawa agreement will, in any event, be terminated on 31st March 1939. Whatever the final decisions regarding the agreement may be, the Indian Legislative Assembly should be given full opportunity to discuss the terms of the agreement and to ratify them only if found suitable. The agreement should primarily aim at helping India's export trade with the United Kingdom.

The deterioration in India's trade had an adverse effect on the budgetary position of the Government of India. Receipts from Customs revenue aggregated Rs.38·58 crores from April to December 1938 as compared with Rs.41·70 crores during the same period in 1937, a fall of about Rs. 3 crores. The revenue budgetted from this source was Rs.43·81 crores. Railway returns also showed a slight falling off during the first 8 months ending November 1938, aggregating Rs.60·58 crores as compared with Rs.60·80 crores during the corresponding period of 1937. The fall in the revenue of the Government of India and the smaller contribution by the railways to the General Revenues will affect the provincial revenues and it appears doubtful whether the Central Government will for a long time be able to give the full share of the income tax revenue to provincial governments on the basis of the Niemeyer award.

Unless there is an unexpected improvement in the revenue returns of the Central Government during the last quarter of the fiscal year, no relief can be expected by the tax payer, but let us hope that the Finance Member will be able to balance the budget without recourse to any fresh taxation and if a gap is left between revenue and expenditure, we hope he will try to fill it by retrenchment on the expenditure side.

For the fourth time in succession during the regime of the present Finance Member, Sir James Grigg, the Finance Bill of the Government of India had to be certified. In 1938 the position was even worse than in the past three years, inasmuch as the Legislative Assembly refused even to discuss the Finance Bill, as a mark of protest against the exclusion of expenditure on defence and external relations from the list of votable demands. It is highly regrettable that the entire Finance Bill

should have passed to the statute book merely on the strength of the Viceroy's power of certification and that a large majority of the responsible legislators could do no more than stage a walk out. The method of legislation by certification is against all recognised principles of democracy and it may be hoped that the Government of India will revert to the old practice of including defence and external relations in the list of votable demands.

The progress of Indian joint stock banking suffered a rude shock during the year by the failure of the Travancore National & Quilon Bank Ltd. The bank held a very important position among the South Indian joint stock banks with a paid up capital of Rs.25 lacs. The total resources were said to be large and the Bank had 78 branches. The failure of this institution was responsible for a run on the deposits of some of the weaker banks, particularly in South India, and several small failures occurred. Numerous reasons were adduced for the failure of the Travancore National Bank, and some sections of the Indian press expressed the opinion that the Reserve Bank of India, as the custodian of banking and financial structure in the country, was not readily helpful—may be for technical reasons. If indigenous banking in India is to progress, the disabilities in the Reserve Bank Act, which are said to preclude the Bank from lending a helping hand to its members, should be immediately removed.

A further set-back to Indian banking might have resulted from the introduction in the Legislative Assembly of a bill proposing the re-imposition of a stamp duty on cheques. The measure was widely criticised and the Finance Member taking the hint dropped the bill. The clearing figures available at various important centres in India go to prove that there is a general recovery of the banking habit in India. Day by day greater use is made of cheques as a medium of payment. The re-imposition of a stamp duty would be an obstacle in the path of the progress of banking, especially outside the commercial community and would remove from the banks several small useful accounts, depositors reverting to the old habit of hoarding cash.

A further progress was made on the Income tax report released for publication as early as 1937 by the expert inquiry committee. After considerable discussion and ascertainment of public opinon, the Income Tax Amendment Bill was introduced in the Central Legislative Assembly. After preliminary discussion in the Budget session of 1938, the Bill was referred to a select Committee and a special session of the Central Assembly was convened in November to discuss the Income Tax Bill as it emerged from the Committee. A number of points were raised, but all these paled into insignificance before the two big issues; firstly the proposed taxation on foreign income on the accrual basis and other allied matters, and secondly the retention of Section 49 of the original Bill giving double income tax relief to non-domiciled residents. Though very strong opposition to these two clauses was manifest in the House, a compromise was ultimately reached and the Bill passed the Legislative Assembly after protracted discussion lasting over a month. The important changes made in the Bill were :—

1. The carrying forward of losses for 6 years for which the commercial community had clamoured all these years.
2. Providing the re-opening of the assessment ordinarily within 4 years and in case of concealment within 8 years.

3. The balance of allowable depreciation is changed from a percentage of the original value to a percentage of written down value.
4. Non-recognition for income tax purposes of incomes vested by revocable or benami settlements and trusts.
5. A new schedule for assessment of Insurance companies has been provided, thus removing the difficulties from which the insurance companies and their shareholders have suffered all these years. A limit of Rs.6,000 or 1/6th of the salary whichever is greater has been put on the insurance premium for exemption from taxation.
6. Submission of income tax returns has now been made compulsory on the part of assessees.

A whole chapter deals with the prevention of tax dodging by manipulations. One great change has been effected in the administration of the income tax law and that is the setting up of an Appellate Tribunal to hear all appeals in the place of the Commissioner of Income Tax.

The Indian Insurance Bill was passed by both the Houses of the Central Legislature in March 1938 and is understood to come into force by the beginning of April 1939. In the meantime rules and regulations governing the Act are being framed by Mr. Thomas, who was imported by the Government of India to fill the newly created post of Superintendent of Insurance.

Industrial Conditions.—While industrial activity in most countries, except the totalitarian ones, showed signs of slackening, industrial activity in India showed remarkable steadiness during the past year. This was perhaps largely due to the fact that, except jute and tea, most of the Indian industries produce goods not for export but for meeting internal requirements of the country, though during the last two or three years India has been able to export large quantities of cotton textile goods and coal to other countries.

Industrial production increased in every case as the figures of production for the ten months ending October show. Prices of manufactured goods, however, declined, largely in sympathy with the fall in international prices of similar goods. Internal demand has been steady so far and is likely to be maintained unless India's balance of trade takes a sharp unfavourable turn. Values of industrial shares registered a heavy decline, the index number of variable yield securities (base : 1927-28=100) which touched the peak of 128·7 in September 1937 declined to 100 in May 1938 and stood at 109·5 at the end of November. This fall in share values was in no small measure due to nervous sentiment regarding the international political situation but at the same time it must be admitted that it also discounts to a certain extent the prospects of Indian industries during the current year.

There was a remarkable decrease in the flotation of new industrial and other companies. While during 1936-37 which was a year coinciding with trade recovery, there were 1,175 new flotations with an authorised capital amounting to Rs.109·04 crores, the average authorised capital being Rs.9,28,000 per company, new flotations in 1937-38 were 986 with an authorised capital of Rs.53 crores, the average authorised capital per company being Rs.5,39,000. The striking feature is the spread between the authorised, the subscribed and the paid up capital. The paid up capital is the most significant, but the subscribed capital may be taken to indicate the market's ability and willingness to invest in new industrial enterprises.

The table appended below shows the trend of registration of Joint Stock Companies in India (excluding Burma) in recent years :—

Years.	Companies registered.		Aggregate authorized capital		Average authorized capital per company. (000's rupees).
	Number.	Index of registration. (Base : 1913-14 = 100.)	Amount. (000's rupees)	Index of aggregate of authorized capital. (Base : 1913-14 = 100.)	
1913–14	349	100	66,69,48	100	19,11
1931–32	749	215	29,61,00	44	3,95
1932–33	1,232	353	30,27,31	45	2,46
1933–34	866	248	50,84,96	76	5,87
1934–35	935	268	36,46,63	55	3,90
1935–36	993	285	49,19,16	74	4,95
1936–37	1,175	337	1,09,04,63	164	9,28
1937–38	986	283	53,11,87	80	5,39

April to March=1 Year.

The following table shows the classification and distribution according to provinces of the companies registered during the year 1937-38, and those that ceased to work, went into liquidation or otherwise became defunct during the same period.

Description.	Registered.		Ceased to work.		Distribution according to Provinces.				
					Provinces.	Registered.		Ceased to work.	
	No. of Cos.	Authorized capital. (000's rupees).	No. of Cos.	Authorized capital. (000's rupees).		No. of Cos.	Authorized capital. (000's rupees.)	No. of Cos.	Authorized capital. (000's rupees.)
	1937-38.					1937-38.			
Trading and Manufacturing ..	568	34,71,26	291	11,63,82					
Banking, Loan and Insurance	102	4,48,34	138	4,20,61	Madras ..	217	5,47,62	106	1,40,37
Mills and Presses	68	5,11,61	41	3,01,20	Bombay ..	137	6,26,35	90	5,95,05
Hotels, Theatres and Entertainments	87	1,76,39	34	88,50	Bengal.. ..	245	22,57,10	229	14,91,17
Transit and Transport ..	56	1,29,98	26	1,71,88	U. P.	51	1,55,34	43	1,98,49
Estate, Land and Building ..	20	1,09,64	8	3,33,60	Punjab ..	123	2,23,48	29	56,04
Tea and Other Planting Companies	30	1,63,98	19	53,35	Bihar	25	7,87,90	7	24,40
Sugar	6	1,00,30	16	2,19,00	Others ..	188	7,14,08	100	4,26,43
Mining and Quarrying	30	1,50,50	23	1,67,00	Total ..	986	53,11,87	604	29,31,95
Other Companies	19	49,87	8	12,99					

Although the most important factor militating against investment in new ventures was the general trade depression, labour unrest almost throughout the year also acted as a deterrent against new issues. Lightening strikes affected almost all the major industries and were avoided in some cases at a fairly heavy cost. The compromise arrived at between the Tata Iron & Steel company and the labourers employed by the company cost the company's shareholders about Rs. 42 lacs by way of excess bonus paid or payable to workers. The Cawnpore dispute was also settled after protracted deliberations and even then only through the intervention of the Prime Minister of the U. P. Government. The Cawnpore labour dispute resulted in the appointment of a Labour Commissioner, who is to be the referee should any difference of opinion arise in future between the employers and the workers, and his verdict will be final.

There were similar lightening strikes in Kulti and Hirapur steel works during the year and in the jute industry in Calcutta. In the Bombay Presidency, fortunately, the labour situation was comparatively calm and barring a few lightening strikes, the industry had a smooth sailing throughout the year. The Government of Bombay, however, introduced a bill—the Trade Disputes Bill—which was passed at the end of November 1938 after protracted discussion. The main principle of the new legislation is that neither the employers nor the employees shall be allowed to precipitate a strike or a lock-out without first resorting to the process of negotiation and making an attempt at conciliation. The Bill seeks to penalise all forms of incitement to a lightening strike. The labour were apprehensive about the new measure, being afraid of hardships imposed on them by the bill, but taking the bill as a whole, there are many sound benefits accruing to labour which would more than compensate the alleged loss of the right to strike. If Indian industries are to progress and stand in competition with foreigners, who by their long experience have excelled in industrial technique, Indian employers as well as labour will have to learn to work in co-ordination and any suspicion or doubts that one may be harbouring against each other will have to be removed.

Cotton.—Among Indian industries the cotton textile industry was one of the last to recover from the great depression. As the results of the working in 1937 published early this year showed it was a prosperous year. The factors which contributed to the substantial recovery of the industry in that year were firstly, growing consumers' demand resulting from increased purchasing power of the rural population whose income had risen owing to increase in commodity prices; secondly, increased efficiency and methods of rationalisation, with a large output, reduced the cost of production; furthermore, Indian mills were able to produce goods of finer counts and larger variety. Thirdly, foreign competition was temporarily in abeyance. Fourthly, there was a good demand for Indian textile manufactures from the adjacent and neighbouring countries; fifthly, relations between capital and labour remained on the whole peaceful during 1937. The position was in many respects different during the year under review. Production was maintained at a high level, the average monthly production for 10 months of 1938 being 354 million yards compared to average monthly production of 330 million yards in 1937 and 294 million yards in 1936. The prices of cotton manufactures, however, registered a substantial decline; the average index number of cotton manufactures which rose to 123 in June 1937 progressively declined and stood at 101 in November 1938. For the first six months there was a fair inquiry for Indian goods but thereafter markets experienced dull conditions. The main factor in the situation was a falling off in consumers' demand. The sharp fall in commodity prices, which commenced in the third quarter of 1937 and continued till June 1938 together with a sharp fall in India's exports for the first half of the year reduced the purchasing power of the agricultural population. The index number of the prices of raw cotton (base: July 1914=100) for instance, which advanced to 107 in May 1937 consistently declined to 62 in September 1938 and stood at 65 in November. Imports of cotton piecegoods for 11 months of 1938 were slightly lower at Rs.10,10 lacs compared to Rs.11,06 lacs and 593 million yards and 552 million yards during the corresponding period in 1937. There was, however, a sharp drop in Indian exports, especially during the eight months—April to November 1938. In eleven months of the past year India exported textile goods valued at Rs. 709 lacs compared to Rs. 765 lacs during the corresponding period in

the previous year. Egypt, Nigeria, Burma, Ceylon were among the countries which imported less than in 1937. Labour conditions were on the whole peaceful in Bombay but in other centres labour troubles involved periodic stoppages in mill activity. The passing of the Bombay Trade Disputes Bill by the Government of Bombay should assist in maintaining healthy and peaceful relations between capital and labour in this presidency.

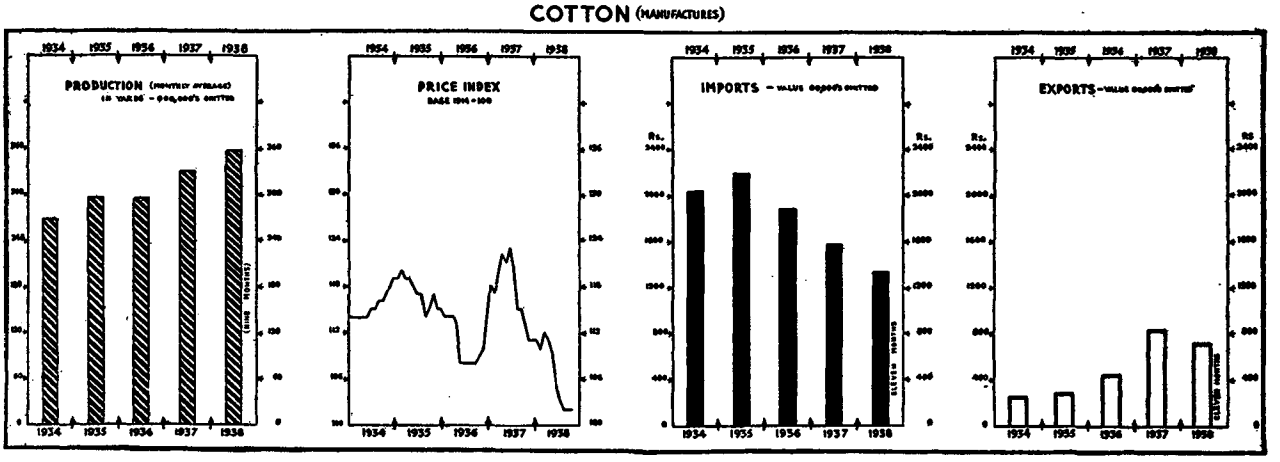
According to the Cotton Mill Statement published by the Bombay Millowners' Association for year ended the 31st August 1938 the total number of equipped mills in India stood at 380 as against 370 on the 31st August 1937; out of these 25 mills were partially or completely idle as against 35 in 1937. The total number of Spindles in the equipped mills of India stood at 10,020,000 on 31st August 1938 compared to 9,731,000 on 31st August 1937. The total number of looms also increased by 3,100 to 200,284. In 1938 the industry consumed 1,831,000 candies (784 lbs. each) of cotton which shows an increase of about 2½ lacs of candies over last year.

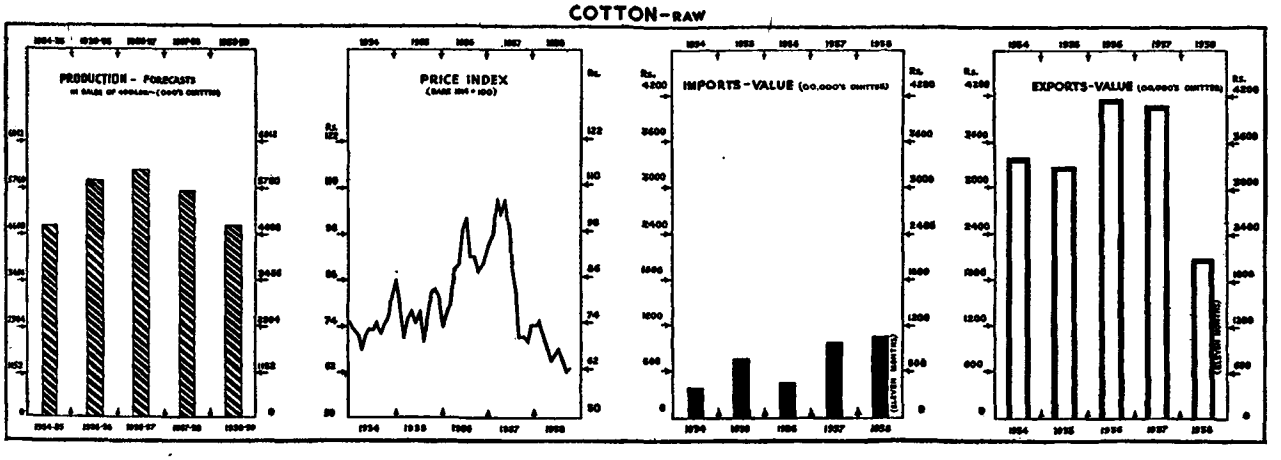
The Indian textile manufacturers have so far held their position and there is no reason why they should not continue to do so in 1939. Towards the end of the year, however, inquiry for cloth was reported to be slack and stocks were accumulating, but clearances in the New Year are showing some improvement.

The prospects are that unless there is a revival in demand as a result of expansion in Indian export trade or rise in commodity prices production must decline and prices would recede further. Cost of production, at any rate in the Bombay presidency, has already risen on account of an increase in wages by 12½ per cent. and additional burden may be levied in the shape of social legislation. Further Lancashire interests have become insistently clamorous for securing tariff concessions for entry of their goods in India. Nothing has been done by the Government of India so far as the Indo-British trade negotiations are still in progress. In the meantime, a Tariff Board inquiry in the textile industry has been promised and this may be instituted during this year. Irrespective of the need or urgency of such an inquiry, there is the undeniable fact that Indian manufactures are now able to satisfy a very large portion of indigenous requirements at comparatively low cost of production. On strictly economic grounds, therefore, there appears not the slightest justification for granting any concessions to foreign manufactures.

In this connection it is important to point out that India pays a duty of ½ anna per lb. on her imports of raw cotton for manufacturing cotton textile goods of finer counts. In addition to this the rupee-sterling exchange rate at 1*s.* 6*d.* is unfavourable to her inasmuch as the exchange rate enables foreigners to sell their goods at cheaper rates in the Indian market. These two factors already lend to a considerable extent competitive advantage to the Lancashire manufacturers. In view of this it would be doing injustice to the Indian manufacturers to lower the import duty on British or foreign textile manufactures. What is urgently necessary is the complete removal of the duty on cotton imports as cotton of this quality required for manufacturing finer counts cannot be grown in India even if a tariff wall be raised against such imports. It is, therefore, futile to argue that the

import duty is designed to give protection to the Indian agriculturists. The imposition of such a duty really means indirect protection to Lancashire and foreign manufacturers and on top of this if any reduction is granted in the duty on cotton textile imports, British or otherwise, it will meet with strong disapproval throughout the country.





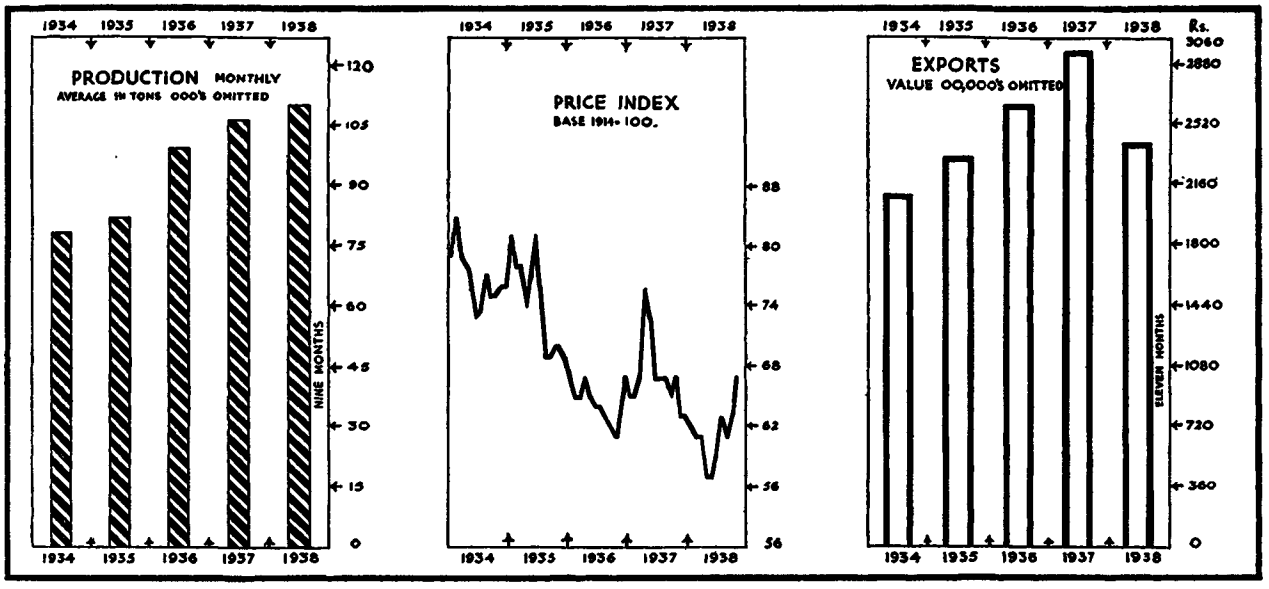
Jute.—The jute industry of Bengal experienced worse conditions during the first nine months of the year than in 1937. The two factors responsible for this situation were firstly the decline in overseas demand especially from the U.S.A. owing to economic recession and secondly, further intensification of internal competition. Despite a fall in demand, production of jute manufactures increased during the year, the output during the ten months ending October 1938 being 10,83,900 tons compared to 10,50,500 tons for the corresponding period in 1937. Prices showed a sagging tendency till the middle

of the year whereafter the declining trend was arrested and reversed; the average index number of jute manufactures which advanced to 67 in October dropped to 57 in April and May 1938 and consistently improved to 68 in November. Exports of jute manufactures were low at Rs. 24,12 lacs for 11 months of 1938 compared to Rs. 27,31 lacs for the corresponding period in 1937. Consumption of jute manufactures in North America during 1937-38 (year ending 30th June) amounted to 751 million yards as against 860 million yards in 1936-37. Stocks in Calcutta, however, grew to unwiedly proportions; at the end of December last year total stock of Hessian and Sacking amounted to 267·9 million yards and with increasing accumulation every month mounted up to 691·1 million yards at the end of August 1938 and thereafter were reduced to 597·3 million yards. Stocks in the U.S.A. especially of Hessians remained large ever since the onset of recession in that country, though the total stocks of Hessians and sacking at the end of December 1938 were slightly lower at 312 million yards compared to 349 million yards at the end of 1937. With increasing production, falling prices and accumulation of large stocks, profits declined further and many of the most efficiently managed mills in Calcutta worked actually at a loss. Efforts to reach a voluntary agreement regarding the regulation of hours and output proved unsuccessful largely because of the intransigent attitude of a very small minority. The Government of Bengal, however, intervened and issued an Ordinance in September which came into effect forthwith; it fixed the limit of working hours for jute mills at 45 per week and warned the industry that in the absence of a voluntary agreement between the parties concerned, the Government would proceed with legislation to replace the Ordinance on its expiry after six months. The promulgation of the Ordinance had the desired effect. After renewed negotiations, the recalcitrant minority interests at last yielded and it was announced in the New Year that a voluntary agreement was reached and that it will be signed within a short time. Approximately 98 per cent of the loomage of Bengal Mills and approximately 96 per cent. of the loomage in India have joined the Indian Jute Mills Association and are party to the working Agreement. It will come into force not later than 15th March 1939 and will remain in operation for a period of not less than 5 years. Under the terms of the agreement production will be regulated by adjusting the limit of working hours per week within the range of a minimum 40 and a maximum of 54 hours. With the issue of the Ordinance, conditions showed decided improvement. Though the prices of jute manufactures advanced, the stocks were however, weighing heavily on the market. The announcement of the new working agreement, gave an all-round fillip. Prices advanced substantially; the price of 9 porter Hessian which sagged to Rs.6-7-6 per 100 yards on the 17th June 1938 as compared with Rs. 8-6-0 on the corresponding date in 1937 gradually advanced during the latter half, closing at Rs.7-13-9 at the end of the year.

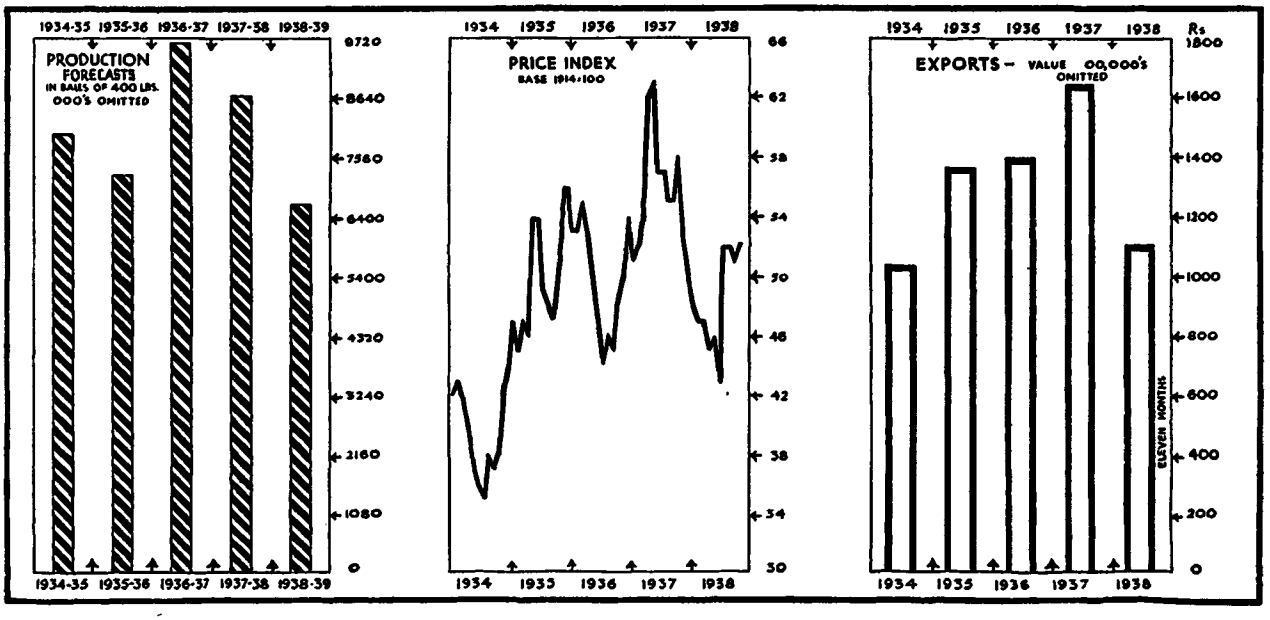
Raw Jute position was in no way better during the first half but conditions showed marked improvement during the latter half of the year under review. Exports of raw jute for the 11 months ending November 1938 were substantially lower at Rs. 10,89 lacs as compared with Rs. 14,48 lacs for the same period in 1937. The price of raw jute slumped heavily, the value of Jute Firsts per ton dropped to Rs.157 on the 15th June 1938 compared to Rs. 209 on the same date in 1937 but it gradually advanced to Rs.194 on 15th August 1938 and stood at Rs. 202 on the 15th January 1939. With the improvement in the manufacturing section, the prices of raw jute will be maintained at remunerative levels.

The prospects for the jute industry are certainly better. Towards the end of the year prices have improved, shipments have been good and foreign customers who were so far buying to meet their immediate needs in the hope of securing lower price will now come in to replenish their stocks. Stocks are high but as we go to press an inquiry for a large Government order for bags for military purposes has been reported and this will certainly improve the stock position considerably. Discounting the future prospects of the industry, the value of jute shares have spurted up vigorously. That is sufficient indication that there are better times ahead.

JUTE MANUFACTURES



JUTES - RAW



Sugar.—Conditions in the Sugar industry improved materially during the past year. During 1937, unregulated production and sales, uneconomic competition resulting from expansion of existing plants or mushroom growth of new units, and a heavy surplus carried over from the previous year combined to cause a severe fall in sugar prices.

Two notable events of the year concerning the sugar industry were firstly the coming into force of the Sugar Control Acts passed by the Governments of the United Provinces and Bihar and secondly the advent of the Indian Sugar Syndicate. Great credit is due to the two provincial governments for enacting legislation which has assisted to a considerable extent both the farmer and the manufacturers at a time when they were in a distressed condition. The Indian Sugar Syndicate has as its members all the mills situated in these two provinces. The object of the sugar control acts is to eliminate the factor of unfair competition and that of the Syndicate to adjust supply to demand by a policy of price fixation and regulation of sales by quotas. The cumulative effect of these two factors was gradual liquidation of stocks and a marked improvement in prices. Figures of Sugar production for the year are incomplete but it is estimated that production during 1937-38 season was maintained at the previous year's figure. Sugar prices showed a progressive rise during the ten months of 1938; the index number of prices which stood at 106 in December 1937 shot upto 122 in February 1938 and advancing consistently to 145 in October stood at 140 at the end of November.

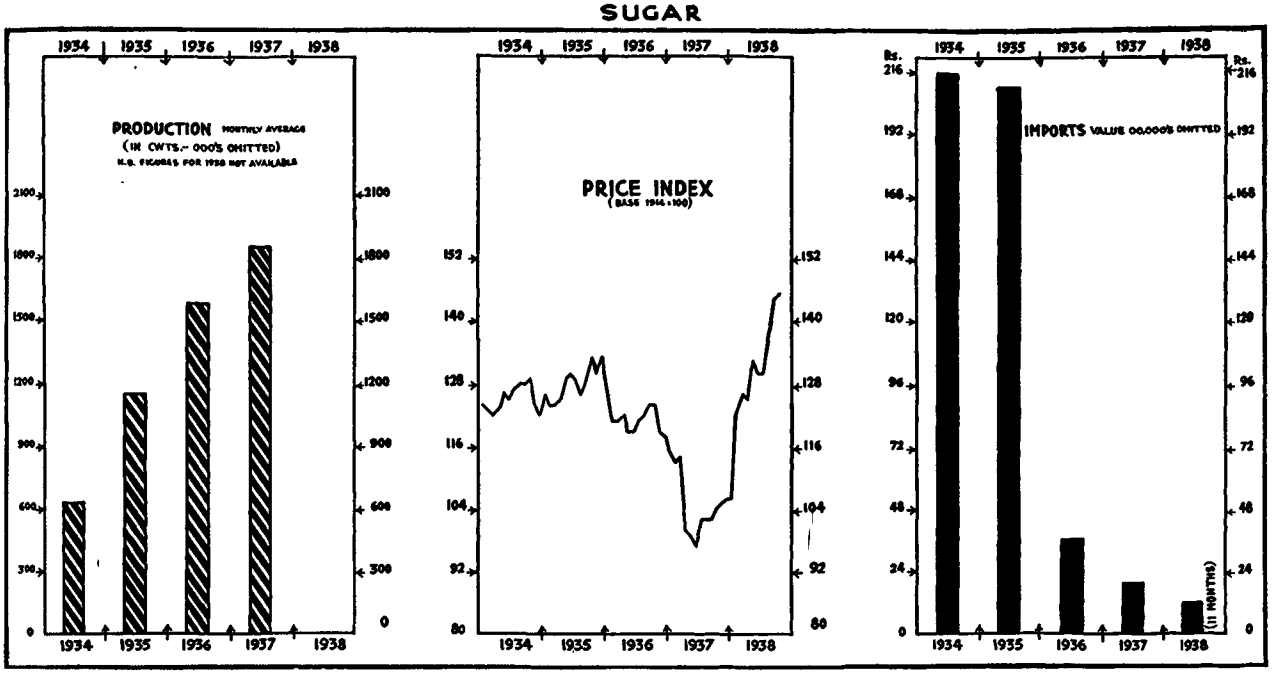
Improvement in demand and a markedly advancing trend in prices attracted speculative elements which by heavy dealings pushed up the prices to unduly high levels. In the last quarter of 1938 speculation gained additional strength from reports about shorter acreage under cane and damage to standing crop by floods in the United Provinces and drought in the Punjab. This development upset the calculations of the Indian Sugar Syndicate with the result that the market prices of sugar ruled above the level fixed by the Syndicate. The Government of the United Provinces dropped a hint that prices were getting out of control but the market apparently paid no heed to it. Speculation went on unabated with the result that the Government of the United Provinces contending that having established semi-state-control it could not allow the industry to benefit unduly at the expense of the consumer and producer of raw material, raised the price of cane further from 6¾ annas per maund fixed for the current season to about 7½ annas as against 5¼ annas last season.

The price of sugar cane is fixed by the Government of the United Provinces in a certain proportion to the price of Sugar fixed by the Indian Sugar Syndicate. The Syndicate raised its price of sugar for the current season to Rs.9-8 as compared with Rs.7-4 per maund in the previous season. The controversy about the increase in Sugar cane prices is still going on.

Imports of sugar for the 11 months ending November 1938 were valued at Rs.12,64,000 compared to Rs.19,61,000 during the same period in 1937. Exports of sugar for 11 months were worth Rs.25,76,000 as against Rs.34,79,000 during the corresponding period in 1937.

The prospects of the sugar industry have considerably improved. The bogey of over-production is laid for the time being; on the contrary it is estimated that the output for the 1938-39 season will be less than that for the last season by about 1 lac tons. With declining production, at any rate for the mills situated in the United Provinces, costs will rise both on account of lower output and increase in cane prices; and sugar prices will rise further. This development may put the mills in the United

Provinces to greater disadvantage. But it may also have the effect of inviting fresh entrants to the industry and encouraging imports of sugar from Java. The report of the Tariff Board is still under consideration of the Government of India. It is impossible to forecast what the decision of the Government of India will be or, if and when it comes, what effect it will have on the prospects of the industry.



Iron and Steel.—The progress in Iron and Steel industry in India was maintained during 1938. This is remarkable in view of the fact that barring U.S.A. in most of the countries constructional activity except for purposes of re-armament, showed signs of slackening during the period under review. Production of pig iron in India for the 10 months ending October 1938 amounted to 1,281,000 tons compared to 1,364,500 tons during the same period in 1937; this reduction in production was mainly occasioned by the stoppage in Indian Iron works due to labour strike in June-July. Monthly production for 10 months of 1938 averaged at 128,100 tons as against average monthly production of 136,400 tons for 1937 and 129,100 for 1936. Prices of pig Iron were stable throughout the year, the index number of prices of pig Iron Foundry No. I (base: July 1914=100) remained stationary at 168 till end of November. Exports of pig Iron for 11 months ending November 1938 amounted to 476,045 tons as compared with 534,737 tons for the corresponding period in 1937 and 559,780 tons in 1936. Though the volume of exports showed a decline, the value thereof was higher being Rs.238 lacs for 11 months as against Rs.174 lacs for the same period in 1937 and Rs.127 lacs in 1936. Japan was the largest importer of Indian pig Iron, the exports for 11 months amounting to 289,204 tons valued at Rs.143,93,396 as compared with 250,205 tons worth Rs.79,26,183 for the same period in 1937. United Kingdom imports for 11 months were 124,721 tons valued at Rs.63,54,884 as against 188,922 tons valued at Rs.63,69,938 during the corresponding period in 1937.

Production of steel was higher during the 10 months of 1938, the average monthly production of steel ingots being 78,800 tons for 1938 compared to 76,100 tons in 1937 and 72,500 tons in 1936.

Production of finished steel averaged 72,600 tons per month for the 10 months ending October 1938 as against average monthly production of 69,000 tons in 1937 and 57,400 tons in 1936. Steel prices were on the whole maintained, though the price of Galvanized corrugated sheets declined during the year, the index number (base : July 1914=100) of prices which rose from 106·3 in November 1936 to 185 in November 1937 declined to 141 in April 1938 and stood at 144 at the end of November 1938. Imports of Iron and Steel during the eight months April to November 1938 amounted to 156,000 tons, which showed a decrease of 117,000 tons as compared with imports in the same months in 1937. Exports of Iron and Steel from April to November 1938 were lower at 51,000 tons as compared with 69,000 tons for the corresponding period of 1937.

Production of both pig Iron and Steel in India is likely to be maintained in 1939. Exports of pig Iron fell off by nearly 91,000 tons during April-November 1938 mainly because United Kingdom reduced her imports of Indian pig Iron by an equivalent amount during that period. Unless business activity revives substantially, Indian pig Iron exports to that country are likely to dwindle further. Japan may, on the other hand, increase her imports as Japanese military requirements have increased firstly because of a huge re-armament programme and secondly due to prolongation of Sino-Japanese conflict. Indian consumption of pig iron may increase with the expansion of Steel works by the Tatas and the completion of the works of Steel Corporation of Bengal. Automatically production of steel ingots and finished steel will be raised further.

Towards the year-end the Federation of British Iron and Steel industries announced reduction in prices to the extent of approximately 8 per cent. on various iron and steel products. The new steel prices were fixed for a temporary period of six months from 1st January to 30th June 1939 and applied to home market only. The prices of steel exports from Great Britain which are linked up with the prices fixed by the International Steel Cartel have not so far been revised. Manifestly the aim of lowering the prices is to stimulate demand for constructional activity which showed a slackening tendency in the United Kingdom during the latter half of the year. Consumers of steel had protested that British Steel prices were too high which keeping their cost of production at a rigidly high level undermined their competitive position in world market. Till the close of the year the reduction in British Steel prices has had no material effect on the prices of the Indian steel products. The Indian price structure, however, must keep step with the course of international steel prices. Two things must be borne in mind in this connection. Firstly prices of most of the Indian steel products were for the most time during 1938 lower than the prices of corresponding import materials but with slackening in steel activity in most countries prices may be reduced in order to enable themselves to compete effectively in outside markets. In this event Indian prices will have to be adjusted accordingly. Secondly prices in India may need revision in the downward direction with a view to adjust supply to demand at an effective price level in the home market.

Cement.—The Associated Cement Companies Ltd. increased its production during the year 1937-38 (ending 31st July); sales were larger and manufacturing costs were further reduced owing to increased efficiency and larger output. The quality of cement produced by the merger company in India can stand comparison with any that is produced in any part of the world. Prices of cement upto the middle of April 1938 were maintained and profits of the industry showed substantial improvement. After April production of cement by new units commenced and this supply came on the market in June. The new concerns sold cement in the Punjab, U.P., Bihar and Orissa and other places at substantially lower prices. The cement factories of the A.C.C. are spread all over the country with a view to meet the requirements of this vast country at as cheap rates as possible.

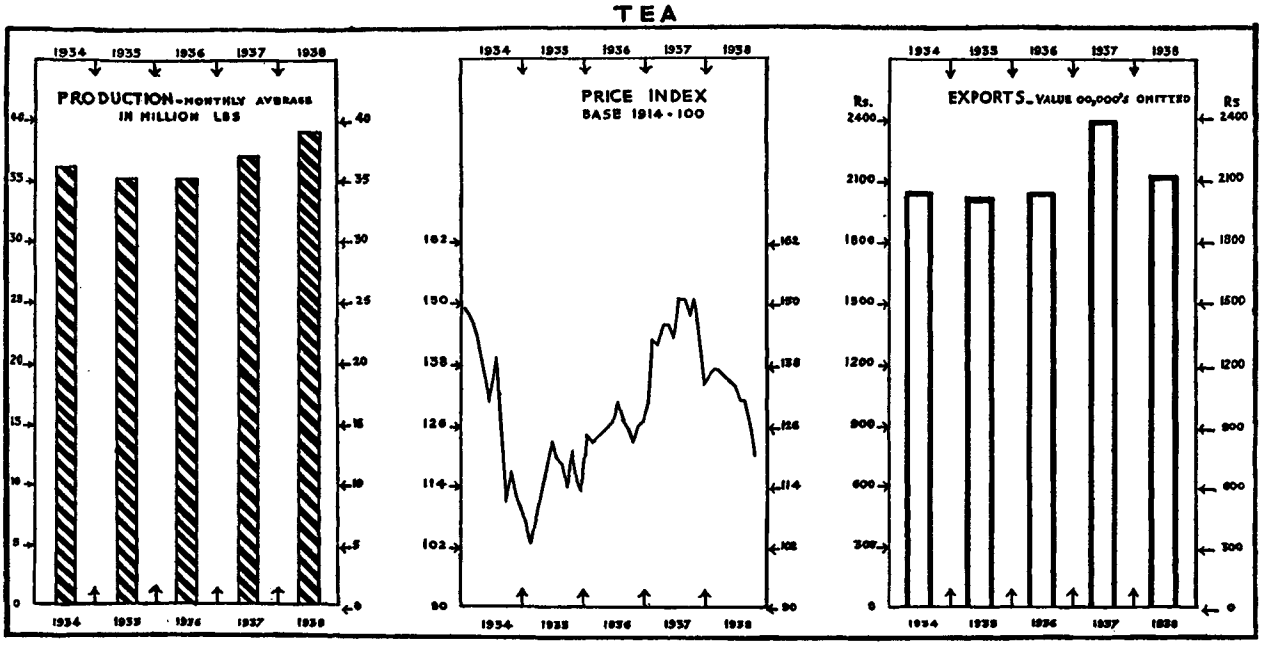
New rival concerns have set up factories in order to compete in the same markets which are hitherto served by A.C.C. factories. The volume of production of A.C. Companies, which is estimated at about 1 million tons, was sufficient to meet the country's present requirements; and the quantity of cement produced by the new concerns means excess supply which can be sold only at reduced prices. The result has been a price-cutting war between the A.C.C. and the rival concerns. This will certainly affect the earnings of the A.C.C. adversely and entail losses for the new concerns. Despite this, it is reported several other new works are under construction, and this factor threatens the intensification of uneconomic internal competition; it impairs the outlook for the industry which is otherwise quite hopeful.

Imports of cement into India (including Burma) for 11 months amounted to 21,921 tons compared to 38,177 tons for the same period in 1937 and 59,982 tons in 1936.

Tea.—The tea industry in India enjoyed very prosperous conditions in 1937 as was amply demonstrated by the rise in profits of Companies shown in their accounts published during the year under review.

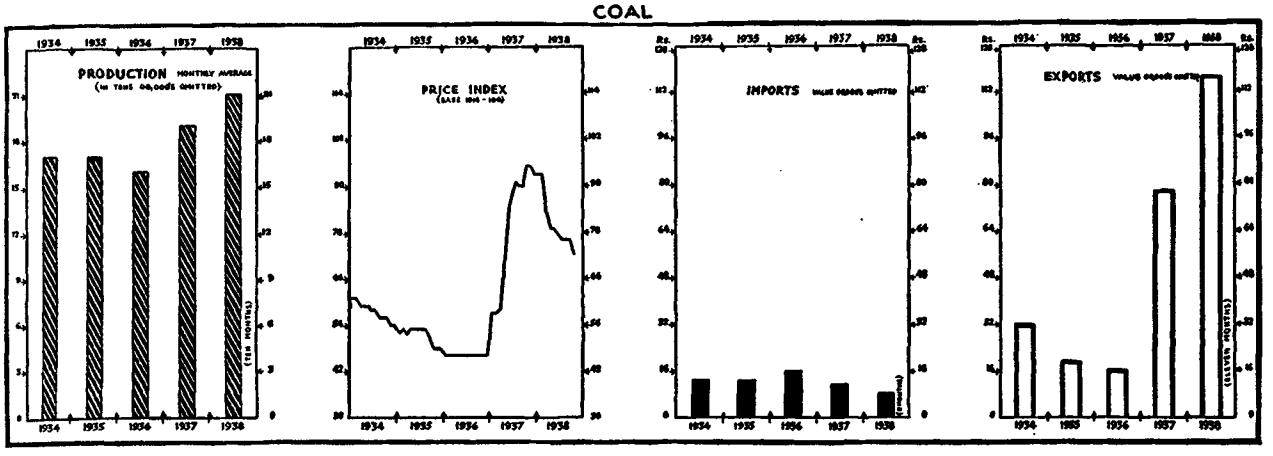
The total production of tea in India in 1937-38 (year ending 31st March) was estimated at 430 million lbs. compared to 395 million lbs. in 1936-37. The export quota for the year ending 31st March 1938 was 87½ per cent. of the standard exports and that for the year ending 31st March 1939 was raised to 92½ per cent. The total exports abroad from India (excluding Burma) amounted to 334 million lbs. in 1937-38 as against 306 million lbs. in the preceding year, the value also showing an increase from Rs. 20,22 lacs to Rs. 24,39 lacs. During 1938, the exports of tea from India (excluding Burma) for the 11 months ending November amounted to 313 million lbs. compared to 299 million lbs. for the same period in 1937 and 281 million lbs. in 1936. Though the volume of exports owing to higher export quota for the year increased, the value of exports for the same period was lower at Rs.21,17 lacs in 1938 compared to Rs.21,70 lacs in 1937 owing to decline in prices. The average index number of tea prices (base: July 1914=100) which stood at 151 at the end of October 1937 declined to 134 in December 1937 and after advancing to 137 in February 1938 declined consistently to 120 in October and stood at 121 at the end of November. The average price of common Indian tea in London for 11 months ending November 1938 was 2¼*d.* below the average price for the same period in 1937. Stocks in Great Britain and Ireland at the end of November amounted to 231·6 million lbs. which represents nearly 6 months' home consumption.

The new quota for the year 1939-40 season will be announced sometime in February. It is generally believed that the quota will have to be lower than 92½ per cent. because with the all-round decline in consuming power of the population particularly in Great Britain, consumption of tea will inevitably decline. On the other hand, demand in India may show improvement with the progress of prohibition in the country.



Coal.—The coal industry continued its steady progress during 1938. Production increased considerably, exports were higher than last year and there was fortunately no shortage of labour this year. The total raisings for 11 months ending November 1938 aggregated 22,965,000 tons as compared with 20,026,000 tons for the same period in 1937. Internal demand was steady as industrial production was for the greater part of the year maintained at the level of the last year. There was a substantial increase both in the volume and value of exports of coal from India. During the 11 months ending November 1938 1,231,010 tons valued at Rs. 1,16,64,000 were exported from India (excluding Burma) compared to 869,930 tons valued at Rs. 65,84,000 during the corresponding period in 1937. China imported substantial quantities of Indian coal during 1938. Ceylon Railway contracts were also retained during the year. It may be mentioned in this connection that a special additional rebate of rail freight of 8 as. per ton on coal exported to foreign ports granted by the Railway Board assisted the industry in selling increased quantities of Indian coal in overseas markets. Imports of coal for the 11 months in 1938 were valued at Rs. 8,45,000 as compared with Rs. 10,49,000 for the same period in 1937. Prices of coal, however, declined during the period under review, the index number of price per ton of Jheria grade No. I which reached its peak level of 109 in November 1937 consistently declined to 77 at the end of November 1938; the index number of price per ton of Deshergur which stood at 80 in November 1937 gradually declined to 67 in November 1938. The coal companies in

Bengal have shown excellent earning results during 1938. The outlook for the current year is on the whole encouraging, though labour unrest on the collieries may cause trouble.



Paper.—Paper industry in India increased its production during the year 1938, the average monthly production for 10 months ending October 1938 being 94,500 tons compared with 80,620 tons during the corresponding period in 1937. Imports of paper for 11 months ending November 1938 amounted to Rs. 3,54,99,000 as against Rs. 4,51,13,000 for the corresponding period in 1937. Prices of foreign paper suffered a substantial decline during 1938, but the price level in India was maintained till the middle of the year and thereafter declined owing to foreign competition. Internal demand was fairly good in the first half of the year but latterly the off-take was smaller and stocks were reported to have increased. Two new paper mills were started during the year and they began to manufacture qualities similar to those made by the older mills. This has naturally given rise to fear of over-production. But the older mills have taken steps to increase their efficiency by installing new and up-to-date machinery and also by extending the range of production. Prices of raw material declined which assisted in reducing cost of production. During the year the Government of India acting on the interim recommendation of the Tariff Board removed the surcharge on the protective duty on paper. According to the Bamboo Paper Industry ' Protection ' Act passed in 1932, a duty of Rs. 45 per ton was levied on wood pulp. With the surcharge the duty works out to Rs. 56/4 per ton. The duty expires on 31st March 1939. The report of the Tariff Board is still under consideration of the Government of India and the outlook for the industry is obscured inasmuch as it is difficult to anticipate what the decision of the Government of India will be as regards the continuance or otherwise of the protective duty on paper.

Political Conditions.—In recent years political events have come to exercise an overwhelming influence on economic conditions. Firstly conflicts in economic policy of different nations have resulted in giving rise to autarchic policies which have in turn seriously hampered trade and commerce between them. Secondly the growing interference of Governments with their national economies has naturally distorted the working of normal economic forces. We have referred to both of these developments elsewhere in this review. International political tension has had its repercussions on

Indian trade and markets during the past year. Fortunately, however, the internal political situation, at any rate so far as British India was concerned, was on the whole peaceful. Barring two constitutional crises—one in February and the other in May—which concerned the position of Ministers *vis-a-vis* the Governors and which were incidental to the process of adjustment inevitable under the new order, the working of Provincial Autonomy under the new Act has proved extremely successful. Provincial Governments have so far shown great moderation in their policies ; but they have a large programme of rural reconstruction and social services which will involve substantial amounts of expenditure. The provincial finances are necessarily limited and within the resources at their command, the provincial Governments have to put into effect various items in their programme. In their search for new sources of income they are likely to resort to taxation which will mostly be of an indirect nature. The decision of the Federal Court in the first case between the C.P. Government and the Centre over the levy of sales tax on petrol was given in favour of the province. This has not only clarified the constitutional position but has opened up a large field for taxation by Provincial Governments. It is to be hoped that the governments in the provinces will take into account all the factors affecting the national economy before they decide to impose new taxes.

It is reported that preparations are in progress regarding the early introduction of the Federation of the new constitution and with this end in view draft-Instruments of Accession are being circulated to Indian States. In the meantime opposition of almost all the political parties in the country to the Federal scheme as laid down in the new constitution is gaining strength. It is, therefore, to be earnestly hoped that some *via media* will be found so as to make Federation acceptable to the Indian people.

Money.—Political events abroad and the fall in India's foreign trade had little effect on the local short term money market, and as usual, the Government were able easily to fill the gap between revenue returns and normal expenditure by the sale of Treasury Bills and occasional recourse to ways and means advances from the Reserve Bank. The amount of weekly tenders and the return thereon, however, varied from time to time depending upon the local money market conditions and the volume of governmental requirements. The usance of the Treasury Bills was unchanged at three months throughout. Towards the end of the year sales were also made on tap, a feature conspicuous by its absence throughout last year. During January Government borrowed Rs.2 crores a week, but early in February the amount of weekly tenders was lowered to Rs.1½ crores and to Rs.1 crore in the third week. The return on the bills was, however, raised from Rs.1-3-9 per cent. at the beginning of the month to Rs. 1-7-11 per cent. in mid-February. April onwards surplus funds seeking investment in this channel grew in volume and only small allotments were made, the yield being gradually lowered to 5/8 per cent. by the first week of August. In September, owing to political tension in Europe, investors preferred to keep their position liquid and accordingly applications for weekly tenders shrank and there was a sharp advance in the acceptance rate to Rs. 1-8-3 per cent. at the end of the month. Government, however, were able to obtain the full quota of Rs. 2 crores a week at the higher rate. With the easing of the political situation early in October, applications for Treasury Bills were large and the amount of weekly tenders was raised to Rs. 3 crores towards the end of the month. From November 8, the amount of tenders was reduced

to Rs. 2½ crores. For the first time since October 15, 1935, the Reserve Bank announced the sale of three months Intermediate Treasury Bills with effect from 7th November. As the Indian export season begins in November, the amount of weekly tenders was reduced by Rs. 50 lacs every week until it was lowered to Rs. 1 crore on the 20th of December 1938.

The return on the bills was further raised to Rs.2-8-10 per cent. at the end of the year mainly with a view to influence the exchange market and make the bank rate effective. Higher money rates enabled the authorities to liquidate a part of the bear position in rupees and it also helped to reduce speculation in gold because higher money rates increased the gap between spot and forward rates of both rupee/sterling exchange and of gold.

The total sales of three months Treasury Bills during the year aggregated Rs. 88·70 crores (both by tender and on tap) as compared with Rs.68 crores in 1937 and the total amount outstanding at the end of the year amounted to Rs.30·56 crores as compared with Rs.21 crores at the beginning of 1938. The Finance Member in his Budget speech had forecast that the outstanding amount of Treasury Bills by the end of the fiscal year 1938-39 would be between Rs.39 crores and Rs.40 crores.

Apart from the sale of Treasury Bills by the Government of India, various provincial governments also offered Treasury Bills on the market for varying amounts and usances to meet their short term monetary requirements. The following provincial governments had recourse to borrowing through treasury bills and the amounts outstanding at the end of the year are shown in the folllowing table :—

Week ended.	Issuing Government.	Period months.	Face Value.	Average rate per cent. per annum.
			Rs.	Rs. a. p.
April 22	C. P. & Berar	3	15,00,000	1 12 0
„ 22	„ „	9	25,00,000	1 9 0
June 3	„ „	9	20,00,000	1 11 0
August 12	Madras	6	50,00,000	1 3 11
„ 19	C. P. and Berar	6	30,00,000	1 9 0
September 2	Assam	6	15,00,000	1 12 0
October 21	Madras	3	50,00,000	1 8 9
„ 28	U. P.	3	80,00,000	1 8 11
November 4	C. P. and Berar	3	25,00,000	1 9 2
„ 4	„ „	8	55,00,000	1 15 11
„ 25	Madras	3	60,00,000	1 10 8
December 2	„	3	30,00,000	1 12 0
„ 9	Assam	3	20,00,000	1 15 6
	Total amount	issued Rs.	4,75,00,000	

Of the Rs.4,75,00,000 borrowed by all the Provincial Governments by way of Treasury Bills, the amount outstanding on 31st December 1938 was Rs. 4·60 crores.

The demand for short term funds to finance trade was very slack throughout the year as can be seen from the diminution in the note issue. Notes in Circulation which had reached the figure

of Rs.182·49 crores at the beginning of March declined to Rs.175·27 crores by the end of April, a drop of nearly Rs.7 crores within a month. Rupee coins held by the Reserve Bank increased from Rs. 62 crores to Rs. 69 crores by the end of August. Notes in circulation dropped further to Rs. 164·51 crores at the end of July, but following the European political crisis in September and slightly increased trade demand, notes in circulation rose to Rs. 180 crores at the end of the year. At the close, however, there are signs of money rates hardening somewhat, but it remains to be seen whether the present upward movement in money rates is not a temporary phase and is not the result of a seasonal increase in trade.

Gilt-edged.—The gilt-edged market ruled on the whole steady during the year under review. Political developments in Europe, especially during September, caused a feeling of nervousness among investors and brought about a sharp decline in values. But this fall proved temporary and as soon as it was realised that a major catastrophe was averted, prices rallied. Funds seeking long term investment being plentiful, the new issue of a rupee loan during the year had no adverse effect on the market. The annual accruals of savings which are earmarked for investment in gilt-edged are estimated at about Rs. 20 crores. The following table will suffice to show the strong position of the Indian gilt-edged market and amply prove that the credit of the Government of India is pre-eminently sound.

INDIA.				UNITED KINGDOM.				FRANCE.				UNITED STATES.			
Securities.	Highest.	Lowest.	Present Rate (30-12-38).	Securities.	Highest.	Lowest.	Present Rate (31-12-38).	Securities.	Highest.	Lowest.	Present Rate.	Securities.	Highest.	Lowest.	Present Rate.
	Rs.	Rs.			£	£	£		Fcs.	Fcs.	Fcs.		$	$	$
3½% Govt. Paper .	99/8	90/6	98/6	2½% Consols.	79½	64	70½	4½% Rentes 1997	159·60 %	103·75 %	154·90 %	4¼ % Tr. Bonds 1947-52	119·6	116·4	119·0
4% 1943 Loan.	108/10	106/12	108/4	3% Conv. Loan. 1948-53.	103 5/16	92	98⅝	5% Rentes Francaise (60 years).	124·25 %	88·60 %	116·60 %	2¾ % Tr. Bonds 1956-59.	103·17	100·14	103·14
4% 1960-70. Loan.	114/14	107/8	111/4	4% Funding Loan. 1960-90.	114¼	98	107⅛	5½% Credit National (Face Value Fcs. 1000.)	998	849	992				

The Government of India were able to borrow long term funds with great ease during the year. It is, however, worth mentioning that the Government had to pay a slightly higher rate of interest on the new issue, *viz.*, 3 per cent. as against 2¾ per cent. paid on 1948-52 loan. This indicates that the long term rate of interest in India is gradually but unmistakably tending upwards. This tendency has long become noticeable in other markets, but whereas the rise in long term interest rate in other countries is largely the result of financial strain caused by the heavy rearmament programmes, in the case of India, it seems to have resumed the upward course mainly in sympathy with the conditions elsewhere, although a hardening of short term money rate, which was occasioned by the anxiety of the monetary authorities to protect the rupee sterling exchange, may also have had some influence.

Unlike in 1937 when there were no loans maturing, in 1938 Government had the option of repaying on 1st October the 5½ per cent. 1938-40 loan. The Government of India issued a 3 per cent. long dated loan maturing in 1963-65, which is the first long term issue since 1933. Opportunity was

given not only to holders of 1938-40 loan, but also to holders of 1939-44 loan to convert their holdings into the new issue, and subscriptions were also invited in cash. The loan was advertised to be for a total of Rs. 15 crores and Government stated in their communique that the loan will be closed when the amount reached approximately Rs. 15 crores nominal value. Government further stated that if the total cash subscriptions exceed Rs. 5 crores partial allotment would be made to subscribers in cash. The terms of issue were somewhat more favourable in comparison with the return on the existing securities, and as was expected the loan was oversubscribed within 5 minutes of the opening of the list. Since this was the first long term loan after nearly five years, the available surplus funds seeking investment was large and as the terms offered for conversion were attractive, large applications were received from holders of both the convertible loans. Conversion applications aggregating Rs. 19½ crores were accepted in full and additional Rs. 6 crores were alloted to subscribers in cash. Thus the total amount accepted by the Government amounted to Rs. 25½ crores, which exceeded the intended issue by nearly Rs. 10 crores. This was a unique departure from the regular practice and has no precedent either in India or in other financial centres like London. Government have recourse to the market through tenders on several occasions and in more than one way, and it is possible that such an unusual action may lead to hesitation on the part of tenderers in future. Government therefore owe an explanation to the market for this unusual departure.

The total loans raised by the Provincial Governments (Punjab and Madras) during 1938 amounted to Rs. 2½ crores, all of which were issued at 3 per cent. and their maturity extended to 30 years. This is a proof not only of the confidence of investors in gilt-edged, but what is more, it exhibits the confidence of the investing public in provincial governments and particularly the governments of Congress governed provinces, since practically all loans were raised by provinces which have the Congress party at the helm of the government.

Throughout the first quarter of the year, the market was steady, but in the middle of March political events in Europe had an unsettling influence and the prices suffered a sharp set-back. 3½ per cent Rupee Paper dropped by over Rs.2 to Rs.96/12 and the other dated bonds also declined proportionately. With the passing of the political crisis, however, prices staged a rally and 3½ per cent Rupee Paper rose to Rs.98 on the 28th March. Thereafter prices improved and were steadily maintained till end of August. 3½ per cent sterling stock which had dropped to £89, also recovered to £95. In September, however, the European political situation deteriorated and the market was almost panic-stricken. Gilt-edged values were heavily marked down and the market was practically devoid of buyers. 3½ per cent Rupee Paper declined to as low as Rs.90-6 and 3½ per cent stock to £82. With the news of the Munich settlement, however, the market regained confidence and prices recovered their previous levels. Throughout the remainder of the year the market ruled steady, though the factor of political uncertainty continued to act as a restraining influence. It is interesting to observe from the course of values of Rupee securities and the India sterling loans in the London market that the differential between these loans widened considerably during the year under review. This gap was not, however, so wide in the values of the medium dated bonds as in those of the interminable loans. The difference between 3½ per cent Rupee Paper and 3½ per cent

Indian sterling stock increased from about 4½ points at the beginning of the year to about 8½ points towards the close, whereas the difference between 3% 1951-54 rupee loan and 3% 1949-52 sterling loan widened from 3½ points at the opening of the year to 4 1⅞ points at the end.

Exchange.—Although the fluctuations in foreign exchanges had hitherto left the rupee sterling ratio almost unaffected, 1938 witnessed a weak rupee as against pound sterling. The causes leading to this weakness were:—

1. a heavy drop in the merchandise balance of trade in favour of India and

2. the diminuition in the export of gold, which had been the mainstay of the market for the past several years, and the consequent growing feeling among certain sections of the commercial community that the present value of the rupee would be difficult to maintain so long as the demand for India's prime commodities in foreign countries continues at this low level.

Since April 1935 the Reserve Bank of India has been put under a statutory obligation to provide the Government of India with such sterling funds as they may need from time to time. The task of the Reserve Bank was a simple one until last year, because the combined export surplus of India's trade in merchandise and treasure was more than sufficient to enable the Bank to secure the necessary sterling funds through purchases of sterling in the open market. Towards the last quarter of the fiscal year 1937-38 the Reserve Bank of India experienced some difficulty in meeting the demands of the Government and was only able to complete the remittance programme for 1937-38 through the medium of attracting foreign funds for short term investment in India. The rate of return on the money invested in three months Government of India Treasury Bills was gradually raised from 0·807% in the middle of December 1937 to 1·609 at the end of March 1938. This enabled the Reserve Bank to purchase a little over £13 million during the first three months of 1938.

On the 15th April 1938 the Bank accepted a tender for sale of £10,000 sterling at 1*s.* 6 3 *d.* as against the previous rate of 1*s.* 6⅛*d.* which had been unchanged since March 1935. The market justifiably took this action of the Bank as an indication that in the opinion of the authorities time was ripe to lower the value of the rupee from the upper limit to the middle or a lower point on the statutory range (upper point 1*s.* 6 3/16*d.*, and the lower point 1*s.* 5 29/64*d.*). The rate gradually slid down to almost the lower statutory limit but spasmodic exports of gold enabled the market to keep out of the bank and no Reverse Councils were sold. In spite of lowering the buying rate to 1*s.* 6 3/32 *d.* and then to 1*s.* 5 15/16*d.* the Reserve Bank was not able to purchase any sterling funds from the open market between 15th April and end of June 1938. From June to September purchases totalled £1,705,000. During the last quarter of the year the Reserve Bank evolved a new technique for securing sterling funds. It commenced open market purchases of gold "on behalf of its correspondents abroad" and there is reason to believe that whereas the Bank bought the gold in terms of rupees, it sold the gold in terms of sterling to its foreign correspondents, thus acquiring sterling funds. The total quantity of gold purchased was approximately 920,400 tolas valued at Rs.3,39,78,000, says the Annual Report

of the Bank. The total amount of sterling purchased by the Reserve Bank during the first nine months of the current fiscal year amounted to £5,961,000 by tender and on tap including about £2½ million through the medium of open market operations in gold.

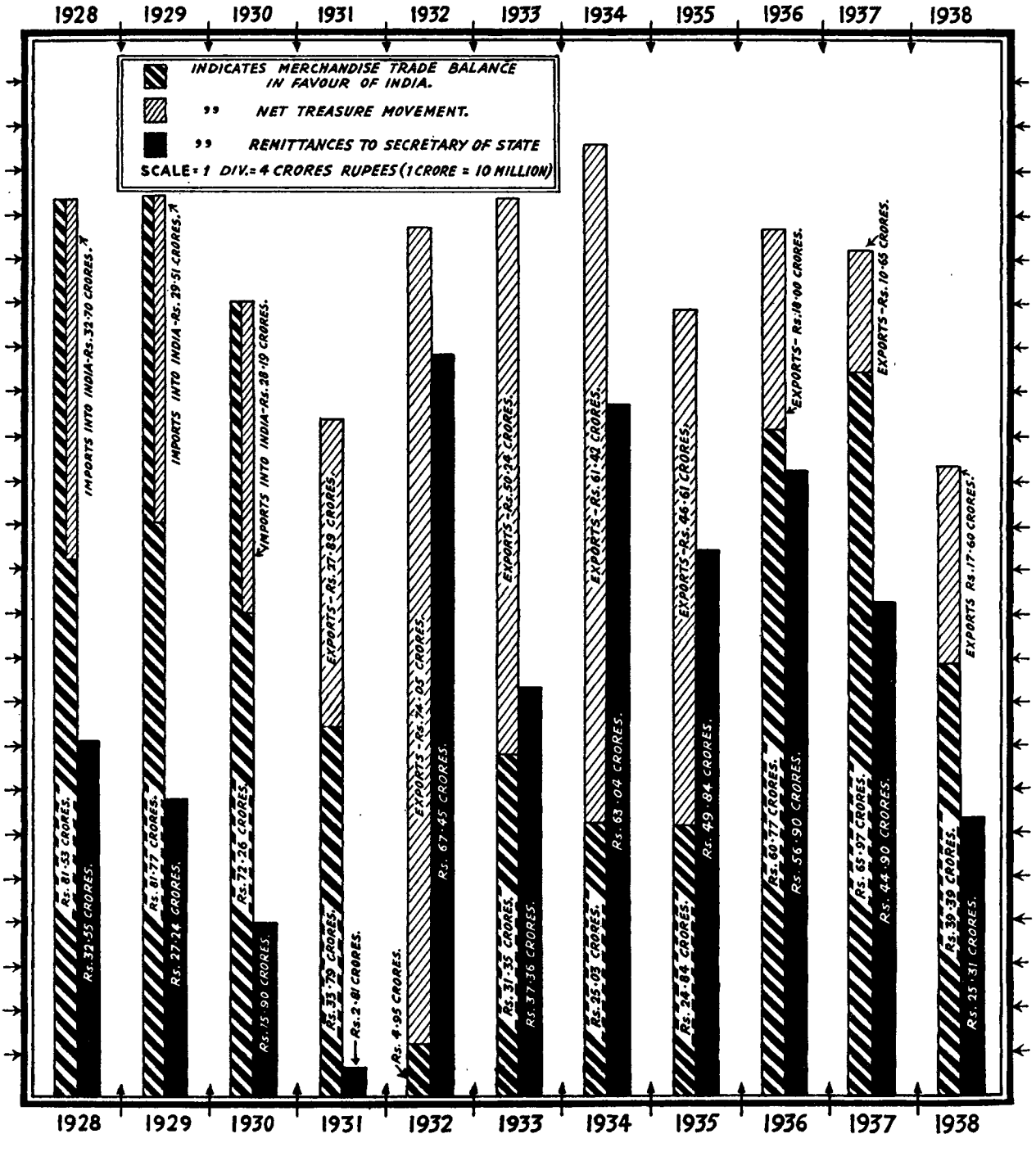
Though constructive criticism can be offered on open market operations in gold which has been the strongest second line of defence for the exchange market, purchases and sales of gold by authorities for regulating the exchanges are a normal feature in almost all parts of the world. India was hitherto an exception which she has now ceased to be.

Once again gold has come to the rescue of the rupee/sterling exchange. During the nine months ended December 1938 India exported gold worth Rs.11·25 crores, in addition to which the Reserve Bank holds Rs.3,39,78,000 worth of gold ear-marked for account of purchasers abroad, making a grand total of about Rs.14·65 crores. Against this the Bank was able to remit to London Rs.8 crores.

The demand for a change in the exchange value of the Rupee became so insistent that the open market rate for T.T. on London declined at one time to almost the lower level of 1*s.* 5¾*d.* for spot and Government thought it desirable, in order to restore confidence, to issue communiques on more than one occasion asserting that the value of the rupee was not going to be altered and that Government had ample resources at its command to maintain the existing value of the rupee.

The immediate effect of Governmental communiques was very little, but later it was realised that if the Government of India were prepared to utilize not only their resources but also their reserves to the fullest extent they could easily succeed in maintaining the present exchange relation between the Rupee and sterling. With increasing political uncertainty in Europe, chances of a large scale flight of Indian capital to foreign countries are small and so long as the Government have not to sell Reverse Councils for any appreciable amounts, they can meet their own remittance demand out of the sterling assets of the Reserve Bank of India, (during 1938 the Reserve Bank had to sell their sterling securities to the extent of about £15 million to meet the requirements of the Government of India) and in case of need even borrow in London market where their credit stands second to none.

Towards the close of the year, the exchange market was very steady, sellers of spot T.T. quoting 1/5–29/32 and buyers 1/5–15/16*d.* This firmness was largely the result of a tight money market. The authorities resorted to the orthodox method of raising the short term money rates in order to secure sterling funds. This was achieved by the simple process of increasing the return on three months Treasury Bills to as much as 2.552 per cent., and thus making the 3% bank rate effective. The forward exchange market, on the other hand, was quieter because those of the exchange banks which had to bring in money from London to meet their year-end " window dressing " requirements were anxious to simultaneously secure forward exchange. Moreover, the fact that war risk insurance for forward shipments was not available made the market bare of any forward cover in the form of merchandise export bills and all business had to be of a " hand-to-mouth" nature.


1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
INDICATES MERCHANDISE TRADE BALANCE IN FAVOUR OF INDIA.
" NET TREASURE MOVEMENT.
" REMITTANCES TO SECRETARY OF STATE
SCALE: 1 DIV. = 4 CRORES RUPEES (1 CRORE = 10 MILLION)
Rs. 81·53 CRORES.
IMPORTS INTO INDIA-Rs. 32·70 CRORES.
Rs. 32·55 CRORES.
Rs. 81·77 CRORES.
IMPORTS INTO INDIA-Rs. 29·51 CRORES.
Rs. 27·24 CRORES.
Rs. 72·26 CRORES.
IMPORTS INTO INDIA-Rs. 28·19 CRORES.
Rs. 15·90 CRORES.
Rs. 33·79 CRORES.
EXPORTS-Rs. 37·89 CRORES.
Rs. 2·81 CRORES.
Rs. 4·95 CRORES.
EXPORTS-Rs. 74·05 CRORES.
Rs. 67·45 CRORES.
Rs. 31·35 CRORES.
EXPORTS-Rs. 50·24 CRORES.
Rs. 37·36 CRORES.
Rs. 25·03 CRORES.
EXPORTS-Rs. 61·40 CRORES.
Rs. 63·04 CRORES.
Rs. 24·84 CRORES.
EXPORTS-Rs. 46·61 CRORES.
Rs. 49·84 CRORES.
Rs. 60·77 CRORES.
EXPORTS-Rs. 18·00 CRORES.
Rs. 56·90 CRORES.
Rs. 65·97 CRORES.
EXPORTS-Rs. 10·65 CRORES.
Rs. 44·90 CRORES.
Rs. 30·39 CRORES.
EXPORTS Rs. 17·60 CRORES.
Rs. 25·31 CRORES.

Gold.—1938 marked a new high record for the price of gold, which moved up by about 8½ per cent. during the course of the year. This rise in the value of gold in terms of money was further accentuated by lower commodity prices making the commodity value of gold even greater than the rise in the monetary price of the metal. In spite of this sharp rise in the value of gold, Indian exports of the metal declined not only in terms of quantity but also in terms of value. Whereas the nett exports of gold in 1937 amounted to Rs.18·28 crores, in 1938 they totalled Rs.15·60 crores. In terms of quantity India exported 1,971,126 fine ounces in 1937 while total exports amounted to 1,649,589 fine ounces in 1938.

Early in the year rumours to the effect that the United States may further devalue their currency in terms of gold resulted in a large conversion of dollar funds into gold and the premium on gold over dollar arbitrage parity at one time increased to as much as 20*d.* per oz. This process of hoarding gold continued in Europe almost throughout the year with the exception of a short span of three or four weeks in the third quarter of the year when war risk insurance rates moved up very sharply and there was a scramble for converting gold back into dollar funds. European demand for gold was so brisk that in fact large consignments of gold coins from India were carried by air to avoid the delay involved in sea transport.

The United States continued to attract large quantities of gold during the year under review, but countries like Switzerland and Holland, which had devalued their currencies in 1937, also had their share. Great Britain, on the other hand, was an exporter of gold and on balance shipped out gold worth £63·6 millions during 1938. This figure excludes gold held in London ear-marked on foreign account but, if this item be added, the total of gold exports from Great Britain would be very much higher. According to the statement of the British Chancellor of the Exchequer, the British Exchange Equalization Fund alone lost gold worth £145 millions between 31st March and 30th September 1938. The following table indicates the increase in the gold reserves of various Central Banks.

Notes in Circulation and Gold Reserves.

(*end of the year figures.*) (*in millions.*)

Central Banks of important Countries.		1934		1935		1936		1937		1938	
		Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.
Bank of England ..	£	394	192	412	200	467	314	505	327	505	326
Bank of France ..	Fcs.	83,412	82,124	81,151	66,296	89,342	60,358	93,837	58,933	110,935	87,265*
Swiss National Bank.	S. Fcs.	1,440	1,909	1,366	1,388	1,482	2,709	1,530	2,679	1,751	2,890
Netherlands Bank ..	Fls.	912	842	809	662	792	737	868	1,382	992	1,461
Bank of Sweden ..	Kr.	708	285	785	407	893	459	980	470	1,061	592
Bank of Denmark ..	Kr.	386	133	383	118	398	118	417	118	441	118
U. S. Federal Reserve Bank	$	3,215	5,124	3,709	7,835	4,278	9,112	4,283	9,120	4,470	11,788
Reichsbank(Germany)	R.M.	3,900	79	4,285	82	4,980	66	5,492	71	8,222	71
Bank of Japan ..	Yen.	1,205	465	1,766	533	1,789	578	2,155	828	2,543	548

* Revalued November 17, 1938, @ 27½ milligrams of five gold per 1 franc.

Price movements in the local market were influenced by fluctuations in the London price of the metal and in the sterling-dollar cross rate as well as the variations in the Rupee-sterling exchange. The latter factor was absent throughout the first quarter of the year, but it played an important part during the second and third quarter. Not only did the variations in the Rupee-sterling exchange alter the arbitrage parity between India and foreign markets, but it also gave rise to hoarding of gold

by local operators as a cover against the depreciating Rupee. In the last quarter of the year the Reserve Bank of India also appeared in the market as a buyer of spot gold on behalf of its correspondents abroad. We have already referred to this elsewhere in the present review. Whenever the Reserve Bank was operating in this market gold operations on any reasonable size on arbitrage account were not possible, and consequently, exports of gold on private account totalled Rs.68·21 lakhs in November and only Rs.·38 lakhs in December.

Since section 17(13) of the Reserve Bank of India Act (1934) restricts the Bank from acting as agent or correspondent of an institution other than the principal currency authority of a country, or an international bank formed by the central currency authorities of a group of countries, in all probability the gold purchases by the Reserve Bank of India were for account of the British Exchange Equalization Fund.

The British Exchange Equalization Fund is also reported to have been buying gold in other parts of the Empire and leaving it in an ear-marked account in the country in which it is purchased. Over and above the consideration of saving transport charges by holding the gold in the different parts of the Empire it would seem probable that the British authorities are anxious to hold their gold reserves distributed all over the Empire. The motive for adopting this procedure may possibly be their desire to keep their reserves in different parts of the Empire in order to be able to pay for raw materials which they would undoubtedly need in case of war.

Out of the total of Rs.15·60 crores worth of gold exported during the current year, gold worth Rs.8·82 crores was exported in the form of coins. This was possible because of the high premium which gold coins commanded in London, and because some holders of gold coins were tempted to take advantage of the attractive premium and convert their holding of coins into bullion.

Silver.—Low price for India's export commodities and comparatively higher price for the metal were responsible for a marked falling off in import of silver into India during the year under review. In fact towards the end of the year some silver was exported from India on private account in spite of the very small stocks in the local market, which gives one the impression that India is gradually getting tired of the white metal. Net imports of silver in 1938 amounted to 14·07 million fine ounces valued at Rs. 1·82 crores as compared with 49·40 million fine ozs. in 1937 valued at Rs. 6·64 crores and 101·14 million fine ozs. in 1936 valued at Rs. 13·35 crores.

The United States Treasury's buying price for foreign silver, which was kept unchanged at 45 cents when the domestic price was reduced from 77·57 to 64·64 cents in 1937, was lowered to 43 cents in the last week of March 1938. This was preceded by considerable discussion and bargaining with Mexico regarding American purchases of Mexican mined silver, and Mexico's attitude towards American-owned property in Mexico which they proposed expropriating. The first result of the 2 cents reduction in the American price was a panic in silver markets all over the world. Bears showed signs of renewed energy, whereas bulls liquidated their holdings.

In the local market the price of spot silver dropped to Rs. 47/12 on the 29th of March and the London quotation declined by 2*d.* to 18$\frac{3}{8}$*d.* Subsequent depreciation of sterling in terms of the dollar helped to raise the sterling price of silver and consequently, the rupee price; and on the 25th of April spot silver in Bombay touched Rs. 50. Between April and September the price of silver

ranged between Rs. 48–15 and Rs. 51–14–6 but high political tension in Europe in September when war seemed imminent resulted in a scramble for silver in India, whereas a sharp rise in the war risk insurance premium was responsible for widening the gap between the London and Indian price of the metal. Whereas silver in Bombay was sharply marked up from Rs. 49–14 on the 5th September to Rs. 52-15-6 on the 28th of the month, in London spot silver declined from 19–11/16*d.* on 14th September to 18$\frac{3}{4}$*d.* on 28th September. This scramble for silver during the last week of September was more of a speculative nature rather than for investment, and in fact at the higher levels small investors were inclined to unload their holdings. After the Munich Pact the spot price of silver declined sharply to Rs. 50–12–6, on 30th September, while the sterling price moved up to 19–5/16*d.* on 29th September.

Varying rumours about the future trend of American Silver Purchase Programme influenced the price of silver during the last quarter of the year. After touching Rs.50-6 in the first week of December spot silver in the local market stood at Rs.51-6-6 at the close of the year.

Low stocks and a comparatively large Long-London/Short-Bombay arbitrage position gave rise to a backwardation in the silver market in March. This state of affairs continued throughout the rest of the year because of the comparatively larger premium on spot in the London market as against the backwardation in India which made it profitable for arbitraguers to extend their contracts at both ends and not make physical shipments.

Shares.—The depression in general trade which characterised the first half of 1938, affected adversely the local stock market and there was an all-round decline in rates. The news from all quarters were discouraging and all attempts at stabilising the market failed and in fact, every advance in quotations brought out fresh sellers. Steel shares formed the barometer of market values and despite large demand for steel manufactures for re-armament purposes all over the world, prices followed a downward trend.

The Tata Iron & Steel Co. effected successive reductions in the price of its main manufactures following similar cuts in price of foreign steel, and nervousness began to grow in the local stock market and culminated into a panic by the third week of January. The price of Tata Iron & Steel Deferreds dropped from Rs.1,235 at the close of 1937 to Rs.950 on 22nd January and Tata Ordys. likewise fell from Rs.275 to Rs.230 the same day. All other sections declined in wake of the steel group and the Stock Exchange authorities closed the market to forward trading with a view to avert the impending crisis. All outstanding transactions were to be carried forward to the next monthly account on the basis of 6 per cent interest. Even trading for cash in scrips ordinarily dealt for forward delivery was prohibited which added to the difficulties of the market. The interference by the Stock Exchange authorities in this manner was resented in some quarters and was even regarded as being *ultra vires* the spirit of the Act, which is framed with a view to regulating the forward trading on the market and this interference with trading for cash was unwarranted.

The authorities, however, kept themselves alive to market feelings and permitted cash dealings in majority of scrips, banning only a few of the volatile type.

The market, however, remained closed to forward trading for six weeks, but this did little to remove the inherent weakness in the market, although temporarily prices recovered somewhat on

re-opening in mid-March. By the end of May prices reached the lowest levels of the year, Tata Iron & Steel Defds. declining further to Rs.795 and Tata Ordys. to Rs.198. There was a corresponding fall in almost all other scrips.

At this juncture the market showed signs of improvement particularly steels which made a remarkable recovery as a result of good dividend and generally on better foreign advices. The New York Stock market showed signs of renewed activity and an upward tendency was noticeable on Wall Street following encouraging news of American business activity and calmer peaceful European atmosphere. The tone in all the markets improved and prices forged ahead. The turnover increased in all sections and it seemed as though confidence was gradually returning. Tata Defds. almost doubled in price quoting Rs.1,455, while Ordys. rose to Rs.300 early in September.

September saw deterioration in European political situation and all markets became hesitant. Prices dropped all-round, especially those of shares of companies, fortunes of which are closely knit with gilt-edged. Steel shares also declined, but the fall this time was not so severe. The European difficulties had given breathless moments to many a statesman and it was only a miracle that averted an actual catastrophe. The stock markets recovered from the low depths of the past few days, but the operators did not go headlong in the market, awaiting further clarification of the European situation.

There was a gradual improvement in rates, but at no time right till the end of the year, was the tone of the market confident. Tata Defds., in the meantime had moved up to the highest price of Rs.1,567-8 and Ordys. to Rs.325-8 at the beginning of December, but finished at Rs.1,516-4 and Rs.315-8. All other scrips shared the vicissitudes of the steel shares.

An important event of the year was the opening of a second Stock Exchange in Bombay in February. Following the example of some commodity markets in the City, the Indian Stock Exchange Ltd., a registered company limited by guarantee commenced business in Bombay on the 9th of February for transacting business in stocks, shares, bonds and like securities for ready delivery.

The Outlook.—The foregoing analysis has amply demonstrated that the deterioration in international political relations was a dominating factor, which strongly influenced the course of economic development during the past year. From present indications it seems its influence is likely to be no less potent in 1939. Wars, military and economic, are raging round us. Nations are arming themselves at an increasingly faster pace, thus diverting a large portion of their resources from civil to military uses. This fierce race in armaments has given rise to a wide-spread belief in the inevitability of war, and the world is periodically swept by war-scares. The policy of appeasement so courageously and unflinchingly pursued by the British Premier has not yet resulted in consolidation of peace. Whether the new year will witness its consummation or not, it is impossible to foretell. To-day the general feeling of apprehension persists.

In the economic sphere, conditions are in many respects more favourable for a fresh advance of economic recovery than they were a year ago. In almost every branch of trade, stocks have been well liquidated and the statistical position is healthy. In those countries, which experienced uninterrupted recovery for a period of five years, notably the United Kingdom and the Scandinavian countries, business activity has shown signs of slackening. Perhaps on theoretical grounds, there may be some justification for anticipating a decline, but it is noteworthy that the recession in activity in those countries is due less to any marked falling off in consumers' power than to a sharp reduction in their exports to overseas markets. The fall in exports is due mainly to the lessened prosperity of the primary producing countries and their diminished ability

to buy. In countries where recovery was either delayed or was prematurely punctuated, economic conditions have exhibited a marked improvement. In France, the drastic emergency measures introduced by M. Renaud towards the end of last year have resulted in repatriation of capital; confidence is reviving and the prospects of recovery are now better than they have been for a long time. The most encouraging factor is, however, the advance of recovery in the U.S.A. After a vigorous upturn for about seven months, some levelling off of industrial production is by no means out of the ordinary. There are two positive influences which will continue to support business in the U.S.A.; namely, Government expenditures and rise in building activity. Moreover, prospects of retail trade are satisfactory and reports in the automobile industry are favourable. Industrial recovery in America will result in larger imports of raw materials and in all likelihood world commodity prices will rise. The effects of recovery in one country can be transmitted elsewhere only through the arteries of trade. The conclusion of the Anglo-American trade agreement last November is therefore most welcome and its coming into effect since 1st January 1939 will increase trade between the U.S.A. and the countries of the British Empire. With the removal of the overvaluation of the pound sterling in terms of the dollar, the competitive position of the countries in sterling area has improved. So long, however, as world trade remains fettered with tariff barriers and exchange restrictions and so long as business confidence remains hesitant owing to political uncertainty, international trade cannot regain its pre-depression dimensions. The diminution in world trade has hit the primary producing countries most severely.

Indian export trade may revive if the aforesaid economic developments take place, but in view of the turbulent political situation, this revival is in any event likely to be gradual. As regards Indian industries, most of them have maintained their progress during the past year and will continue to retain their hold on the home market.

An agreement regarding the output and hours of work in the Jute industry has been reached. A large order for sand-bags from the British Government will require concentration of production in that line for some time to come and thus assist in clearing the heavy stocks of hessians and sackings in a normal way. As regards the cotton industry, the outcome of Indo-British Trade negotiations is anxiously awaited and it is hoped that the interests of the Indian industry will not be jeopardized by further concessions to Lancashire. The Cement industry is menaced by internal competition and overproduction; and this has resulted in a price-cutting campaign between the rival units. The decision of the Government of India in connection with the Tariff Board inquiries into the sugar and paper industries is keenly awaited.

The credit of the Government of India is high though they had to pay slightly more favourable terms to investors during the past year partly because the longterm rate of interest has advanced in other markets and partly due to the anxiety of the Government to protect the rupee/sterling exchange. Revenue returns have been lower than last year. It is, therefore, difficult to say whether the Centre will be able to allocate in full the subventions to the Provinces under the Niemeyer Award. The growing opposition to the Federation scheme on the one hand and the civil disobedience movements in some of the Indian States on the other may give a serious turn to the political situation in the country.

MONEY.

Seasonal demand for funds in evidence.

The seasonal demand for funds was gradually making itself felt in the money market from the beginning of January and the rate for call loans was well maintained at about 1 per cent. throughout the month. The weekly statements of the Imperial Bank of India also revealed a modest demand for funds for trade, loans and cash credits showing an increase of Rs.76 lacs during this period. Although the weekly acceptances of Treasury Bills exceeded maturities by a crore of rupees, this did not influence the money market to any appreciable degree as the gap was more than filled up by payments made to the market against purchases of sterling.

Trade demand continues and call rate advances.

Funds continued to be in good demand during the first half of February, the rate for call loans advancing from 1½ to 2 per cent. The demand was partially for shipments of gold and partially for the monthly settlement in connection with the Stock Market. The advances from the Imperial Bank for trade purposes increased by Rs.163 lacs in the first week of February, while Bank deposits with the Reserve Bank fell by Rs.222 lacs during the same period. As a consequence the Imperial Bank raised their short term advance rates against securities to 2¼ per cent. for amounts under Rs.5 lacs and to 1¾ per cent. for amounts exceeding Rs.5 lacs. The Government also paid a higher rate for three months' Treasury Bills, the return advancing to nearly 1½ per cent. by the middle of February as against under 1¼ per cent. at the beginning of the year.

Imperial Bank raises short term advance rates.

Temporary slackness in demand for call loans.

During the second half of February, there was a decline in demand for funds and the rate for inter-bank call loans dropped from 1 to ¾ per cent. The excess of Rs.1 crore a week of Treasury Bill maturities over renewals together with large payments made to the market by the Government against weekly purchases of sterling funds influenced the money rates.

Trade demand revives.

The slackening in demand, however, proved temporary and throughout March, short term loans remained in good demand, the rate for call loans ranging between 1½ and 2 per cent. The excess of Treasury Bill maturities over renewals amounting to Rs.4 crores and the payment of about Rs.5 crores by Government against sterling purchases during the month did little to relieve the pressure on the short term money market. The weekly statements of the Imperial Bank showed a continuous rise in " Advances ", the increase in the first week amounting to Rs.319.35 lacs and in the second week to Rs.134.56 lacs. The return on Treasury Bills showed further improvement to 1⅝ per cent. and term money rates were also better at 2 per cent. for 3 to 6 months as against 1¼ to 1½ per cent. at the beginning of the year.

"Advances" of Imperial Bank rise.

Demand for funds slackens.

From the beginning of April, the demand for short term funds showed signs of slackening and the rates for call loans declined to 1 per cent. Accordingly the applications for Treasury Bills began to increase and Government raised the amount of weekly tenders from Rs.1 crore to Rs. 2 crores from the beginning of April. There was

a slight decrease of ⅛ per cent. in the return on Treasury Bills and term money rates also dropped, 3 to 6 months being quoted at 1½ per cent. The Imperial Bank statements revealed no changes of importance, while the notes in circulation of Reserve Bank, which had reached the high figure of Rs.182.49 crores in the beginning of March, declined to Rs.175.26 crores by the end of April, a drop of over Rs.7 crores. Government deposits with the Reserve Bank, on the other hand, mounted up from Rs.9.76 crores at the beginning of the year to Rs.18·51 crores at the end of April. The increase was largely due to tax collections towards the end of the financial year and also to almost complete absence of purchases of sterling by Government. In fact, sterling tenders were altogether suspended from the end of April and the amount of weekly tenders of Treasury Bills was also lowered to Rs.1 crore from the beginning of May.

Amount of Treasury Bill tenders increased.

Notes in circulation decrease.

Sterling tenders suspended.

Throughout May, money market was well supplied with day-to-day funds and call loans were available at about ¾ per cent. except for a short period of two or three days preceding the flotation of a new Rupee Loan of Rs.15 crores on the 19th, when the rates advanced to 1¼ per cent. There were not many borrowers, however, at the rate and the rise was more sentimental than real. Rs.6 crores of cash were withdrawn from the money market for the new loans without in any way affecting money rates, which clearly indicated lack of trade demand at this juncture. Funds were so plentiful that Government did not even deem it necessary to discontinue the sale of Treasury Bills during the pendency of the New Rupee Loan as is usually done and continued to draw another one crore of rupees every week through sales of Treasury Bills. Moreover, the return on these was further lowered to about 1⅜ per cent. by the end of May. The active note circulation also declined further and amounted to Rs. 180·23 crores on the 27th May.

Market well supplied with short term funds.

Large applications in cash for New Rupee Loan.

Notes in circulation decline further.

From June onwards, money market ruled easy and there was a glut of funds awaiting employment. Short term loans were nominally quoted at ½ per cent. and funds were altogether unlendable, borrowers not being willing to pay even that. The result was a continuous decline in the note circulation from Rs.180·23 crores at the end of May to Rs.171·53 crores at the end of July. Rupee coins held by the issue department increased to Rs.67·06 crores at this time compared with about Rs.59 crores at the end of April. The Scheduled Banks' cash balances with the Reserve Bank mounted up to Rs.24·71 crores by the end of July as compared with Rs.13·97 crores at the end of March and the cash balance of the Imperial Bank exceeded the Rs.20 crore limit as against Rs.16 crores at the end of April. A further indication of the easy conditions prevalent in the money market was provided by the fact that the Punjab Government 3 per cent. loan due 1958 for Rs.1 crore issued early in August was over-subscribed within an hour or two of its opening. All these factors pointed to a prolonged era of cheap money. The return on Treasury Bills during this period had declined from 1⅜ per cent. to about ⅝ per cent. while the amount of weekly tenders was onceagain increased to Rs.2 crores as from 16th August. Term money rates also declined, six months funds being available at 1¼ per cent.

Market rules easy.

Further drop in note circulation.

Imperial Bank's cash balance increases.

The Punjab Government issues loan.

From the beginning of September, demand for funds showed signs of improving, though very imperceptibly. The rate for call loans still hovered around ½ per cent. per annum but there were definitely more borrowers in the market. Political upheavals in Europe in mid-September caused a nervous feeling particularly in gilt-edged and both banks and finance houses showed a tendency to keep liquid resources plentiful. The result was a sharp rise in the return on Treasury Bills to 1½ per cent. at the end of September as compared with about ⅝ per cent. at the beginning of the month. The note circulation, which had touched the level of Rs.164.51 crores at the end of August, increased to Rs.169.01 crores by the end of September, while the cash balance of the Imperial Bank declined from over Rs.20 crores to Rs.13.72 crores.

Slight improvement in demand for funds.

Political upheavals in Europe cause sharp rise in return on Treasury Bills.

By the beginning of October, the European political situation improved considerably, with the result that the local money market, which had really not been affected adversely to any material extent by this reason except for a sharp rise in the return on Treasury Bills quickly regained its normal poise. Call loans were quoted at ½ per cent. and the return on Treasury Bills declined to 1 5/16 per cent. by the second week of October. Throughout the remainder of October and November, money remained cheap and call loans were available at ½ per cent. with few borrowers. Notes in circulation had gradually increased and amounted to Rs.172.36 crores at the end of November, while during the same period the rupee coin held in the Issue Department remained almost unchanged at about Rs. 70 crores. The cash balance of the Imperial Bank declined further to Rs.9.72 crores and the cash balances of the Scheduled Banks with the Reserve Bank of India shrank to Rs.12.28 crores. The return on Treasury Bills improved gradually to 1⅝ per cent. by the end of November, all of which pointed towards tighter monetary conditions during December.

European situation eases and money market regains normality.

Money becomes cheap.

Cash balance of Imperial Bank declines.

Demand for short term funds actually made itself felt in the money market from the beginning of December. The improvement in the local market was initially influenced by demand for funds in Calcutta, where lenders of day-to-day funds were prepared to pay 1 per cent. Banks and finance houses commenced laying in funds early for year-end purposes and furthermore, large stocks of gold in the local market kept a good portion of the funds occupied. The Imperial Bank of India increased its advance rate against securities from 2½ to 3 per cent. and call loans were quoted at about ½ per cent. throughout the month. The Exchange Banks were the principal borrowers and local banks were not good lenders of short term funds. The return on Treasury Bills was increased sharply and stood at 2½ per cent. at the end of the year as compared with ⅝ per cent. in August, and 1¼ per cent., the average rate for the year. At the close of the year, call loans were in keen request at 3½ per cent. and term money found good borrowers, six months money giving a return of about 2½ per cent. per annum.

Trade demand sets in.

Return on Treasury Bills increased.

Call loans in keen demand.

GOVERNMENT BORROWINGS.

At the opening of the year, Government of India had a balance of Rs.9·76 crores with the Reserve Bank of India, of which Rs.2 crores represented Ways and Means Advances from the Bank.

Tenders for Rs.2 crores invited weekly.

Tenders for Treasury Bills amounting to Rs.2 crores were invited weekly and applications being very large, only partial allotments were made. The average rate paid at the opening of the year was Rs.1-3-9 per cent. per annum which was raised gradually to Rs.1-5-5 per cent. by the end of January.

Government borrows against Ways and Means.

Government borrowed Rs.2 crores against Ways and Means in the first week of January making a total of Rs.5 crores, but it was repaid completely by the third week and Government's balance with the Bank increased to Rs.13·55 crores by the end of the month owing probably to large sales of Treasury Bills during the month, totalling Rs.8 crores.

Amount of weekly tenders lowered.

The amount of weekly tenders for Treasury Bills was lowered to Rs.1½ crores from the beginning of February and to Rs.1 crore from the third week. The return on these Bills, however, was slightly raised to Rs.1-9-9 per cent. in the third week of March, but was lowered again to Rs.1-8-9 per cent. by the end of the month. Throughout February and March, Government had no recourse to Ways and Means and their balance at the Bank increased to Rs.19·38 crores at the end of March, probably owing to large revenue collections prior to the end of the last quarter of the fiscal year.

No borrowings against Ways and Means.

Amount of weekly tenders increased.

From the beginning of April, weekly tenders for Treasury Bills were increased to Rs.2 crores, but lowered again to Rs.1½ crores by the end of the month. Government borrowed small amounts weekly from the Reserve Bank of India against Ways and Means. On the 8th of April, Ways and Means advances stood at Rs.1·40 crores and the cash balance of Government with the Bank at Rs.15·03 crores, but by the end of the month, the Advances declined to only Rs.4 lacs, while the cash balance of Government increased once again to Rs.18·51 crores.

Weekly tender amount reduced.

From the 10th of May, the weekly tender amount of three months' Treasury Bills was lowered to Rs.1 crore. Applications grew larger every week and only small allotments were made. Money was definitely easy and Government reduced the return on Treasury Bills every week and by the end of June, it stood at about 1 per cent.

Small amounts borrowed against Ways and Means.

Government borrowed very little against Ways and Means during June, the amounts varying between Rs.10 and Rs.20 lacs. Their cash balance with the Reserve Bank was gradually mounting up and stood at Rs.20·74 crores on June 24, but declined to Rs.17·89 crores at the end of the month. The amount of Ways and Means Advances was nil at this stage.

Tender amount increased.

From the 5th of July, the tender amount was increased to Rs.1½ crores and applications still poured in on a large scale enabling Government to reduce the average rate of acceptance to about Rs.0-10 per cent. by the first week of August. In order further to relieve the money market, the amount of tenders was increased to

Rs.2 crores from 16th August. Amounts tendered were still quite large and the return on the Bills was slightly raised to Rs.0-10-10 per cent. by the end of the month. Government borrowings against Ways and Means from the Reserve Bank were almost nominal throughout July and August and their cash balance ranged between Rs.14 and Rs.16 crores, but increased to Rs.17·14 crores towards the end of the month.

Slight improvement in return on Treasury Bills.

Owing to political tension in Europe during September, investors preferred to keep their position liquid and accordingly applications for weekly tenders of Treasury Bills were somewhat smaller and Government had to pay as much as Rs.1-8-3 per cent. towards the end of the month. Government were, however, able to obtain in full their required quota of Rs.2 crores a week.

Political tension in Europe affects Treasury Bill market.

With the easing of the political situation, applications for Treasury Bills were larger from the beginning of October and the Reserve Bank raised the amount to Rs.2½ crores on 18th October and to Rs.3 crores in the following week. The return on the Bills was gradually lowered to Rs.1-5-8 per cent. by the end of October.

Weekly Treasury Bill tender amount raised further.

The amount of tenders was reduced to Rs.2½ crores from the 8th November, but for the first time during the year the Reserve Bank announced the sale of three months' intermediate Treasury Bills with effect from 7th November with the usual proviso that, if deemed necessary, the sales may be stopped at any time without previous notice.

Amount of tenders reduced and intermediates issued.

Throughout November, the Reserve Bank of India accepted Rs.2½ crores of Treasury Bills every week and in addition sold a total of Rs.2 crores worth of intermediate Bills during the month. The return on the Bills was gradually increased to Rs.1-10-4 per cent. at the end of the month.

Gradual improvement in return on Treasury Bills.

Money was becoming more usable in December owing to the approach of the export season and the applications were smaller in volume. The Reserve Bank accordingly reduced the amount of weekly tenders to Rs.2 crores with effect from 6th December, to Rs. 1½ crores from 13th December and to Rs.1 crore from 20th December. The Bank had to pay progressively higher interest on the Bills and the average rate of acceptance at the end of the year stood at about Rs.2-9-2 per cent. Sale of intermediate Bills was continued and the total amount thus sold during December was Rs.53 lacs and since their inception in November, the total was Rs.2·57 crores.

Tender amount reduced.

Higher return on Treasury Bills.

Total sales of three months' Treasury Bills during the year aggregated Rs.88·70 crores compared with Rs.68 crores in 1937. The total of outstanding Bills at the end of the year amounted to Rs.30·48 crores compared with Rs.21 crores at the beginning.

Total sales of Treasury Bills during 1938.

Government's cash balance with the Reserve Bank remained around Rs.17 crores throughout September and Ways and Means Advances from the Bank were very small for most part, the maximum amount being Rs.1.13 crores in the middle of the month.

Little change in Government balances with Reserve Bank.

In the first week of October, however, Government balances at the Bank dropped by nearly Rs.5½ crores to Rs.12.32 crores despite larger borrowings against Ways and Means amounting to Rs.1.13 crores. This was probably the result of interest disbursement on some of the Government of India loans. During the remainder of October, there was no important change in Government's cash balances with the Bank, but the amount of Advances from the Bank declined gradually to Rs.3.08 crores at the end of the month.

Government balances drop.

During November also Government Deposits with the Reserve Bank were practically unaltered at around Rs.12 crores, but the amount of Advances decreased gradually to Rs.22 lacs at the end.

Government balances maintained.

In the first two weeks of December, Government Deposits declined to Rs.9.95 crores and the amount of Advances increased to Rs.1.14 crores.

GILT-EDGED.

The local gilt-edged market ruled quite steady throughout the year except for a short period in September when the market developed an acutely nervous feeling and was, in consequence, practically devoid of buyers following political upheavals of great magnitude in Europe. The return on and the issue of Treasury Bills had no effect on gilt-edged securities as in previous years, nor did even the issue and flotation of the new Rupee Loan affect the market trend in any way. Towards the close of the year, the uncertainty arising from the European political situation served as a restraining influence on fresh investment and the turnover was restricted. The one outstanding feature during the period under review was the remarkable steadiness of 3½ per cent. Rupee Paper which was ascribed largely to a considerable bear position existing in the local market and occasional influential buying with a view to support gilt-edged. The result was the widening of the difference between 3½ per cent. Rupee Paper and Sterling Stock from about 4½ to 5 points at the beginning of the year to over 8½ points towards the close.

Gilt-edged dominated by political situation.

Gap between 3½ per cent. Rupee Paper and Sterling Stock widens.

The gilt-edged market opened steady with a slight improvement of ⅜ per cent. in the price of 3½ per cent. India Sterling Stock to £93½, while the quotation for 3½ per cent. Rupee Paper advanced by 12 annas to Rs.98.8. Throughout January, the market ruled steady and prices moved within a narrow range. 3½ per cent. Rupee Paper, after touching Rs.98-2 in the second week, recovered to Rs.98-11 towards the close of the month. 5 per cent. 1945-55 (tax free) bonds, on the other hand, declined somewhat from Rs.120-6 to Rs.120, while 4 per cent. 1960-70 loan improved by a few annas to Rs.114-4.

Market opens steady.

Prices advanced further in the first half of February, following an improvement in British Stock values in London. 3½ per cent. Rupee Paper improved to Rs.99-2 (5th) and other dated bonds were a shade better. 5 per cent. 1945-55 (tax free) loan, on the other hand, declined further to Rs.119-12. During the third week, however,

Prices advance.

the gilt-edged market was affected adversely by the resignation of two Provincial Congress Ministries which was considered to be a forerunner of similar action being taken by all Provinces where Congress was in a majority, thus leading to a situation of political impasse in the country. Further, it was reported that the Austro-German diplomatic relations were far from satisfactory which caused anxiety regarding European political situation. As a consequence, gilt-edged suffered a severe setback and the price of 3½ per cent. Rupee Paper in the local market declined to Rs.97-4 (17th), a drop of nearly 2 per cent. 3½ per cent. India Sterling Stock dropped from £93½ to £92¾ (17th). All dated bonds also declined, 5 per cent. 1945-55 (tax free) bonds to Rs.119 (22nd) and 4 per cent. 1960-70 loan to Rs.113-12 (22nd). There was yet a further drop in prices towards the end of the month, following rumours of a cabinet crisis in England. 3½ per cent. Rupee Paper dropped to Rs.97-2, while all other bonds eased somewhat. The domestic political situation in Great Britain, however, took a turn for the better in a short while and there was an all-round improvement in quotations. 3½ per cent. Rupee Paper advanced to Rs.98-11, 5 per cent. 1945-55 (tax free) loan to Rs.119-6 and 4 per cent. 1960-70 loan to Rs.114-2.

Local politics affect Gilt-edged adversely.

By the middle of March, political events in Europe threatened once again to disturb the peace of the world and the gilt-edged suffered a heavy setback under tremendous selling pressure. Irredeemable and dated bonds suffered the most. 3½ per cent. India Sterling Stock declined from £92 to £89 (16th) while 3½ per cent. Rupee Paper fell by over two ponts to Rs.96-12 (18th). 4 per cent. 1960–70 loan, which had kept fairly steady around Rs.114-10 for the past week or so, dropped to Rs.113-4 (17th) and 5 per cent. 1945-55 (tax free) loan found sellers at Rs.118 (17th). All medium dated bonds also declined, though the turnover in this section was limited. 3½ per cent. 1947–50 loan was marked down from about Rs.106-8 to Rs.106 and 2¾ per cent. 1948–52 loan from Rs. 100-8 to Rs. 100-2. Towards the end of March, however, situation in Europe seemed to have improved and gilt-edged prices recovered somewhat. 3½ per cent. Rupee Paper recovered to Rs.98 (28th) and 3½ per cent. India Sterling Stock improved to £90½ (23rd). 4 per cent. 1960–70 loan advanced to Rs.113-15, while 5 per cent. 1945–55 (tax free) loan improved to Rs.118-6. Medium term bonds were all a shade steadier but the turnover in these was still limited.

European political situation becomes grave and Gilt-edged decline.

Situation improves and prices recover.

By April, the market had regained confidence and a steady tone was perceptible in gilt-edged throughout the month. There was some inquiry for dated bonds, though business actually put through was small. 3½ per cent. Rupee Paper improved to Rs.99-2 (21st); 4 per cent. 1960–70 loan rose to Rs.114-14, 3½ per cent. 1947–50 loan to Rs.106-7 and 2¾ per cent. 1948–52 loan to Rs.100-8. Following the publication towards the end of the month of the British Budget, which revealed an increase of 6*d.* in the income-tax, the London market reacted slightly and as a consequence, 3½ per cent. Rupee Paper declined to Rs.98-3 (27th). There was little doing in other scrips which were more or less maintained.

Market regains confidence.

During the first half of May, the gilt-edged market ruled steady but dull. On the 13th of the month, the Government of India issued the following communique :—

New rupeeloan issued.

" Subscriptions for an issue of a 3 per cent. 1963-65 loan will be received on the 19th May 1938. Subscriptions may be in the form of cash or 5½ per cent. 1938-40 loan or 5 per cent. 1939-44 loan. The loan will be closed without notice as soon as it appears that the total subscriptions in cash, in the 5½ per cent. 1938-40 loan and 5 per cent. 1939-44 loan amount approximately to Rs.15 crores (nominal value) and in any case not later than the close of business on the 19th May 1938. If the total cash subscriptions exceed Rs.5 crores partial allotment may be made to subscribers in cash.

" 3 per cent. 1963-65 loan issued at Rs.98 per cent. and redeemable at par not earlier than 1963 and not later than 1965."

Prices decline slightly.

As a result of the announcement, the local gilt-edged market declined as the terms of issue of the new loan were considered somewhat more favourable in comparison with the return on existing securities. 3½ per cent. Rupee Paper declined from Rs.98-13 to Rs.98-8, while 4 per cent. 1960-70 loan found sellers at Rs.114-1.

New loan over-subscribed.

The new loan was over-subscribed within five minutes of the opening of subscription lists and the local market reacted favourably to the news. 3½ per cent. Rupee Paper moved back to Rs.98-14, despite a slight drop in 3½ per cent. India Sterling Stock to £92¼ (17th). The following communique was issued by the Reserve Bank of India on the 20th May, announcing the result of the new loan :—

" New Loan conversions :

5½ per cent. 1938-40 bonds	..Rs.11·39 crores
5 per cent. 1939-44 loan	..Rs. 8·04 „
Total	..Rs.19·50 crores
Cash allotment at 50 per cent. with minimum Rs.5,000 approximately	..Rs. 6·00 „
Gross total	..Rs.25·50 crores.

It was after a lapse of nearly two years that Government of India had issued a long term loan. The available surplus for investment, therefore, was large and it was a foregone conclusion that the loan would be over-subscribed. The conversion terms were also attractive specially since the outstanding amount of the two loans tenderable for conversion was in the vicinity of Rs.47 crores.

Larger amount allotted than originally advertised.

According to the prospectus issued in connection with the new loan, it was stated that "the loan would be closed without notice as soon as it appears that the total subscriptions in cash, in 5½ per cent. 1938-40 loan and 5 per cent. 1939-44 loan amounted to Rs.15 crores (nominal value) and in any case not later than the close of business on 19th May 1938. If the total cash subscriptions exceed Rs.5 crores partial allotment may be made to subscribers in cash."

It may be pointed out that the acceptance of Rs.25½ crores against an announced issue of Rs.15½ crores was a departure from the regular practice and without precedent in India, as well as other financial centres like London. An explanation for this departure has been owing from the Government to the market. Government have recourse to the market through tenders in more than one way and it is possible that such an unusual action may lead to hesitation on the part of tenderers in the future.

Market becomes steady.

The local gilt-edged market ruled steady up to the middle of June, with narrow price changes and restricted volume of business. A new British Government loan bearing 3 per cent. interest for repayment in 1954-58 issued at £98, however, caused a slightly easier feeling in the market, since the terms of issue were regarded by the market as being more favourable when compared with the return on some of the existing securities. 3½ per cent. Rupee Paper declined from Rs.99-2 to Rs.98-6 (15th) and 4 per cent. 1960-70 loan from Rs.113-8 to Rs.113-4. 5 per cent. 1945-55 (tax free) loan eased to Rs.117-11 and 3½ per cent. 1947-50 loan to Rs.106-2.

Prices advance further.

The local market ruled dull and unchanged during the second half of June. Towards the end of the first week of July, however, the market assumed a steady tone following better political news from Europe. 3½ per cent. India Stock in London moved up from £92½ to £95 (7th) and 3½ per cent. Rupee Paper firmed up to Rs.99-2 (7th). There was a fractional improvement all round but business was still restricted.

Steady undertone continues.

Throughout the remainder of July and during the whole of August, the local gilt-edged market ruled with a steady undertone, despite discouraging political news from the Far East. There was no change in prices and the volume of business did not materially expand.

European situation becomes grave and prices fall heavily.

Early in September, European political situation gave indications of worsening once again and traders adopted an attitude of caution and investors preferred to hold off pending clarification of the situation. The turnover, small as it had been for sometime, shrank further. By the middle of September, international politics took a very grave turn with the result that there was almost a complete absence of buyers of gilt-edged. 3½ per cent. India Sterling Stock fell to £86 (13th), while 3½ per cent. Rupee Paper lost over five rupees to Rs.93-4 (14th).

Situation improves once again and prices harden.

At this stage, it was announced that the British Premier was taking an immediate trip to Germany with a view to find some amicable solution of the intricate situation. This revived confidence in gilt-edged and 3½ per cent. Rupee Paper improved to Rs. 96-2 (15th), while 3½ per cent. India Sterling Stock recovered to £89 (14th). After a long lapse of time, there was a large volume of speculative business in 3½ per cent. Rupee Paper in the local market.

Medium and long dated bonds had all declined. 5 per cent. 1945-55 (tax free) bonds were quoted at Rs.115-4 and 4 per cent. 1960-70 loan at Rs.110-12. 3½ per cent. 1947-50 loan declined to Rs.105, while 3 per cent. 1963-65 new loan lost over a point at Rs.97-4.

Rapid changes occurred in the political situation in Europe during the last week of September and these were fully reflected in the local gilt-edged market. The price movements were erratic depending upon changes in the political outlook from day to day. The acceptance of Anglo-French peace proposals on the Czech situation caused a sigh of relief, but the traders and investors in gilt-edged still preferred to wait and watch.

Erratic price movements.

The peace negotiations were reported to have broken down in the last week of September which aroused grave fears of a European war with the result that holders of gilt-edged were scared and were out to sell at any price. Traders, on the other hand, kept completely aloof from the market, and in consequence, prices declined sharply. Jobbers in London had to fix minimum prices for stocks in order to avoid panic. 2½ per cent. British Consols were marked down from £71½ to £65 and 3½ per cent. British War loan likewise lost £7 at £92. 3½ per cent. India Sterling Stock declined from £89½ to £82 (26th) and 3½ per cent. Rupee Paper touched the low record level of Rs.90-6 (27th.) Barring speculative interest in this scrip, in the local gilt-edged market business was almost at a standstill, there being no buyers and all sellers. 4 per cent. 1960-70 loan was quoted at as low as Rs.107-8 (27th) and 5 per cent. 1945-55 (tax free) loan at Rs.111 (27th). 4½ per cent. 1955-60 loan dropped from Rs.117 to Rs.114, while there were sellers of 3½ per cent. 1947-50 loan at Rs.103. All other scrips dropped likewise with little or no business.

European peace menaced again and gilt-edged tumble.

Early in October, the European political situation took a dramatic turn for the better owing largely to untiring efforts on the part of the British Premier to find a peaceful solution of the Czechoslovakian problem. A Four-Power Agreement was reached at Munich which cheered up the gilt-edged market and 3½ per cent. India Sterling Stock moved up sharply to £93 (6th). 3½ per cent. Rupee Paper followed suit and advanced sharply to Rs.98 (1st). 4 per cent. 1960-70 loan rose to Rs.112 (1st) and 5 per cent. 1945-55 (tax free) bonds to Rs.116-12 (5th). All other issues recorded proportionate gains.

Dramatic turn in European politics.

Gilt-edged advance sharply.

The local market ruled steady throughout October and November although the London market was not so strong, there being more sellers of gilt-edged in that market owing to fears of a probable increase in tax on incomes in the forthcoming budget in order to meet additional expenditure on rapidly increasing armaments. 3½ per cent. Rupee Paper ranged between Rs.98 and Rs.98-8, while 5 per cent. 1945-55 loan kept steady around Rs.117. 3½ per cent. India Sterling Stock, on the other hand, declined to £90¾ (28th). The turnover, however, showed no signs of expanding, investors preferring to await further clarification of the dubious political outlook in Europe.

Market remains steady.

During December, the market showed signs of sagging, partly due to perpetual fears of a European conflagration of which there were several visible indications, and partly owing to dearer money rates in the local market. Despite all this, 3½ per cent. Rupee Paper maintained a steady tone owing to speculative interest, but all dated bonds were easier with sellers predominating. At the close, 5 per cent. 1945-55 (tax free) loan was quoted at Rs. 115-12 and 4 per cent. 1960-70 loan at Rs. 111. Other scrips were also easier with limited business.

Prices sag once again following European politics.

RAILWAY BUDGET.

The Railway Budget for the year 1938-39 was presented to both the Houses of the Central Legislature on Monday, the 15th of February 1938.

The actual results of the working for 1936-37 showed a surplus of Rs.121 lacs against the revised estimate of Rs.15 lacs. The whole of the surplus was utilised to reimburse the borrowings from the Depreciation Fund.

The revised estimates for 1937-38 showed an anticipated surplus of Rs.283 lacs against the budgetted figure of Rs.15 lacs. The Hon'ble Member stated that this surplus would have been more but for the fall in earnings during the last two months combined with the increase in the cost of coal and other raw materials. This surplus was to be credited to the General revenues, as according to the decision arrived at by the Legislature, railways were not to be asked to meet their liabilities in regard to repayment to the Depreciation Fund or pay their arrears of contribution to the General revenues upto 1939-40.

The net expenditure on renewals and replacements to be charged to the Depreciation Fund was expected to be Rs.8.20 crores against a contribution to the Fund of Rs.12.57 crores, leaving a balance at the end of 1937-38 of Rs.18.91 crores in the Fund.

The Budget for 1938-39 estimated the gross traffic earnings at Rs.94.25 crores and the total working expenses including Depreciation at Rs.62.55 crores. After taking into account miscellaneous receipts and expenditure and providing Rs.29.31 crores for interest charges, the surplus was estimated at Rs.256 lacs.

The total amount set aside for the works programme during 1938-39 was Rs.12.75 crores as under :—

Rs. 50 lacs for construction of 3 new lines in Sind.
Rs.400 ,, for track renewals.
Rs. 75 ,, for bridgework.
Rs.300 ,, for structural work.
Rs.450 ,, for rolling stock.

After deducting Rs.1¾ crores for certain credits, and reduction in stores balance, and after allowing for Rs.1½ crores for delay in execution of works or in obtaining supplies, the net amount or the works programme was put at Rs.9½ crores. Of this expenditure, Rs.2¾ crores would be debited to Capital account and Rs.6.65 crores to the Depreciation Fund, which fund at the end of 1938-39 was expected to show a balance of a little over Rs.24¾ crores.

After referring briefly to the action taken on the recommendations of the Wedgwood Committee and on the subject of Road-Rail competition, the Hon'ble Member stated in the Council-of-State that the labour problem was of cardinal importance and to that end, it was proposed to appoint as an experimental measure a Conciliation Officer at Calcutta, who would be in touch with the railway administration and the employees and endeavour to maintain harmonious relations between the

parties in the event of any dispute. After the Conciliation Officer had completed his organization, an Industrial Advisory Board under the Chairmanship of Sir Zahid Suhrawardy would be established. The Board would deal with any disputes referred to it by the Conciliation Officer and would report to the Railway Board or to the Agent of the Railway concerned on the issues involved, with recommendations where necessary.

THE GENERAL BUDGET.

The Hon'ble the Finance Member of the Government of India presented the General Budget for the year 1938-39 to the Central Legislative Assembly on Saturday, the 26th of February 1938.

The actual working for 1936-37 resulted in a net deficit of Rs.179 lacs as against the revised estimates of Rs.192 lacs.

Revised estimates for 1937-38 showed a total improvement of Rs.390 lacs in revenue and an increase of Rs.322 lacs in expenditure, the net surplus being Rs.68 lacs against the budgetted surplus of a nominal figure of Rs.7 lacs, after the utilisation of the whole of the Revenue Reserve Fund of Rs.184 lacs. Of this improvement in revenues, the chief items of increase were Customs, showing a betterment of Rs.133 lacs, Taxes on Income Rs.70 lacs, Salt Rs.10 lacs and Posts and Telegraphs Rs.39 lacs.

	Budget Estimates 1937-38.	Revised Estimates 1937-38.	Budget Estimates 1938-39.
	Crores. Rs.	Crores. Rs.	Crores. Rs.
Revenue	83.48	86.63	85.92
Expenditure	83.41	86.63	85.83
	Rs. +7 lacs.	....	+9 lacs.

Revised Revenue Estimates for 1937-38 showed the following changes :—

	Better. Lacs. Rs.	Worse. Lacs. Rs.
Customs	+ 1,33	
Income-Tax	+ 70	
Central Excise	+ 58	
Salt	+ 10	
Post and Telegraph	+ 39	
Civil Administration	+ 8	
Other Sources of Revenue	+ 10	
Railways	+ 2,68	
Interest		—13
Currency and Mint		—22
Opium		— 3
Civil Works		— 3
Payments for Indian States		— 9
Payments by Burma		—18

Among the revenue items, Customs accounted for Rs.43.81 crores, Taxes on Income for Rs.15.25 crores, Interest receipts for Rs.66 lacs, Currency and Mint for Rs.67 lacs and Railway Contribution to General Revenues for Rs.256 lacs. Among the Expenditure items, Interest charges were less by

Rs.22 lacs, while all other items were expected to show a total increase of Rs.146 lacs. Defence services were put at Rs.45.18 crores, which was Rs.204 lacs less than the revised estimates for 1937-38. In this connection the Hon'ble Member stated that His Majesty's Government had contributed Rs.80 lacs towards the capital cost of mechanising the British Cavalry and Infantry stationed in India. This sum was payable in three instalments, the first of which was to commence from 1938-39.

On the question of India's Naval Defence, the Government of India and His Majesty's Admiralty had agreed that the present contribution by the Government of India of £100,000 a year to the Admiralty for Naval Defence and protection of trade in alien waters would cease from April 1, 1938. Instead the Government of India had undertaken the conversion of the Royal Indian Navy into a combatant service capable of assisting the Royal Navy in war, and the maintenance of a sea-going fleet of not less than 6 modern escort vessels. The Defence Programme for 1938-39, the Hon. Member further stated, would consist of measures for improving the Coastal Defences, erection of a factory for making high explosives, and mechanisation of certain Indian Units. The cost of these measures would approximate Rs.45 lacs, which would be drawn from the Defence Reserve Fund.

On the subject of Ways and Means, the Hon. Member stated that Government had the option of redeeming 5½ per cent. 1938-40 loan outstanding at a little over Rs.19 crores. The time and the method of repayment would, however, depend on the market conditions and on the Ways and Means position at the time the operations were carried out.

It was, however, pointed out by the Hon. Finance Member that owing to the disparity in the market prices of sterling securities and the corresponding rupee securities, the Government authorised the Reserve Bank to purchase sterling securities in the open market, as amounts became available, and to transfer the funds so purchased to Government for cancellation. The total nominal value of securities cancelled in this way in the course of the year amounted to Rs.4 crores, out of which approximately Rs.2.87 crores consisted of terminable securities. The cost of cancellation in this case was met from the ordinary resources in India. The balance of slightly over Rs.1 crore consisted of non-terminable securities and these were offset by the creation of additional rupee paper of 3½ and 3 per cent. non-terminable loans up to the same nominal value. This was gradually issued by the Reserve Bank in accordance with the requirements of the market. The saving on this conversion was estimated at Rs.4 lacs which the Government proposed to utilise as a small additional contribution towards the redemption of debts.

It may be pointed out, in this connection, that the Government had pursued a policy of transferring external debts of the country within the country itself and this would save, although to a very small extent, the sterling requirements of the Secretary of State on Indian account. So long as the present disparity between the prices of Indian sterling and Indian rupee securities persists, Government could continue this policy of conversion with advantage to the Exchequer.

In April 1937, the Reserve Bank returned Rs. 5 crores under Section 36 (1) and the payment was made to the Bank in the form of Treasury Bills. Inspite of these transactions and the special sterling disbursements, all the requirements including the additional capital expenditure of the railways and other departments would be met by a total increase in Treasury Bills of about Rs.11 crores during the two years. With this increase the amount outstanding at the end of 1938-39 would be between Rs.39 crores and Rs.40 crores.

In connection with sterling remittances, the Finance Member stated that in 1937-38 the favourable balance of trade had considerably declined and coupled with this, remittances for private investment caused a decrease in the amount of sterling offered to the Bank. In the nine months of 1937-38 the Bank purchased £11½ million sterling compared with £26½ million in the same period of 1936-37. The budget figure for 1938-39 is estimated at £36.25 million.

STATEMENT SHOWING THE DISTRIBUTION OF EXPENDITURE BETWEEN VOTED AND NON-VOTED.

(In lacs of Rupees)

	Budget 1937-38			Percentage of voted to total	Budget 1938-39			Percentage of voted to total.
	Voted.	Non-voted.	Total.		Voted.	Non-voted.	Total.	
Expenditure charged to revenue	90,12	1,06,88	1,97,00	45.7	92,65	1,08,85	2,01,50	46.0
Expenditure not charged to revenue	3,58	2,14	5,72	62.6	5,65	4,23	9,88	57.2
Total ..	93,70	1,09,02	2,02,72	46.2	98,30	1,13,08	2,11,38	46.5

Note.—The figures given in this statement include the working expenses of the Railway, Posts and Telegraphs and Irrigation Departments.

From among the various heads of expenditure, under which Government usually ask the Legislatures to vote grants, the head " Defence Department " was removed this year. Consequently a great majority of the elected Indian members of the Central Legislative Assembly decided to refrain from taking part in the debate on demands for grants and to vote against such demands when they were put to the vote.

Although the amount votable in the past years under the head " Defence Department " was negligible it was used as a " peg " on which to hang a debate on questions of military expenditure which makes up about 52½ per cent. of the total expenditure of the Central Government.

The Budget revealed no change in taxation and was generally characterised as a " dull " one. There was general disappointment as no relief was forthcoming in taxation on incomes to the extent of the existing surcharge and no reduction was made in the Excise Duty on sugar.

GOVERNMENT OF BOMBAY BUDGET FOR 1938-39.

The Budget of the Government of Bombay for the year 1938-39 was presented by the Finance Minister, the Hon. Mr. A. B. Latthe, to the Legislative Assembly on Friday, the 25th February 1938.

	Lacs of Rupees.
Revenue Receipts	1,209·03
Revenue Expenditure	1,249·84
Revenue Deficit	40·81
Capital and Debt Head Receipts	3,691·38
Capital and Debt Disbursements	3,693·23
Capital and Debt Head Deficit	1·85
Closing Balance	72·01

The revised estimates for 1937-38 showed a revenue surplus of Rs.10½ lacs instead of a revenue deficit of over Rs.18½ lacs estimated for the current year. The main items which contributed to the betterment were: (*i*) receipt of Rs.27 lacs in Taxes on Incomes other than Corporation Tax, which represents a share of the Government of Bombay in the income-tax receipts of the Central Government allocated on the basis of the Niemeyer Report, (*ii*) improvement of Rs.11.31 lacs in revenue from Provincial Excise, and (*iii*) increase of Rs.10.21 lacs in Stamps revenue. Against these were to be set off a decline of Rs.10.3 lacs in Land revenue and an increase of Rs.7.52 lacs in expenditure under "Education." On the basis of the eight monthly estimates the current year would close with a cash balance of Rs.114.67 lacs, of which Rs.73.76 lacs was free balance consisting of Rs.22.81 lacs on account of surplus in Provincial Loans and Advance Account and Rs.50.95 lacs being the revenue surplus of 1936-37 and the estimated revenue surplus of the current year.

In comparison with the revised estimates for 1937-38, the important changes in the Budget estimates for 1938-39 were represented under Receipts, by an improvement of Rs.21 lacs in Land revenue, a drop of Rs.26 lacs in Excise receipts due to the Government's prohibition policy and a decline of Rs.7½ lacs in Stamps revenue; under Expenditure, by an increase of Rs.10½ lacs in additional provision for minor irrigation works, by a rise of Rs.22½ lacs in Education and a decline of Rs.12 lacs in Civil works.

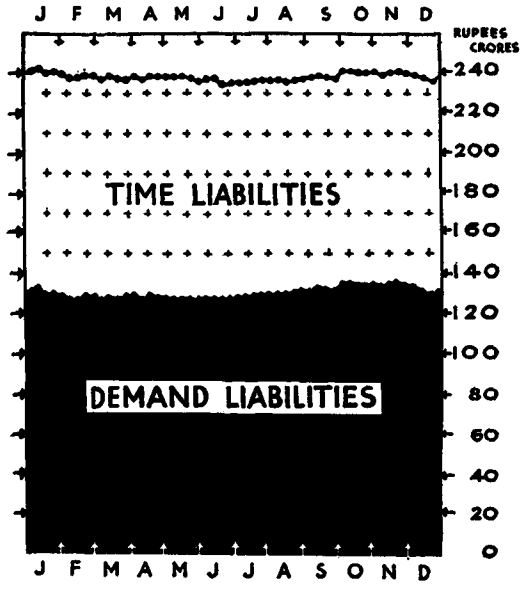
Regarding the new schemes for which provision had been made in the Budget, the most important were: Rs.30 lacs for Prohibition; Rs.24 lacs for new schemes of educational expansion; Rs.10 lacs for village water supply; Rs.12·50 lacs for construction of new minor irrigation works; Rs.4 lacs for Village Panchayats; Rs.5 lacs as loans to small industries and Rs.6·88 lacs for various other items.

The deficit of Rs.40·81 lacs, as the Financial Secretary in his Introductory Note explained, was due purely to non-recurrent expenditure on new items included in the Budget. This would be met from the opening balance for the next year. There would be no borrowing except for Treasury Bills to be repaid during the year.

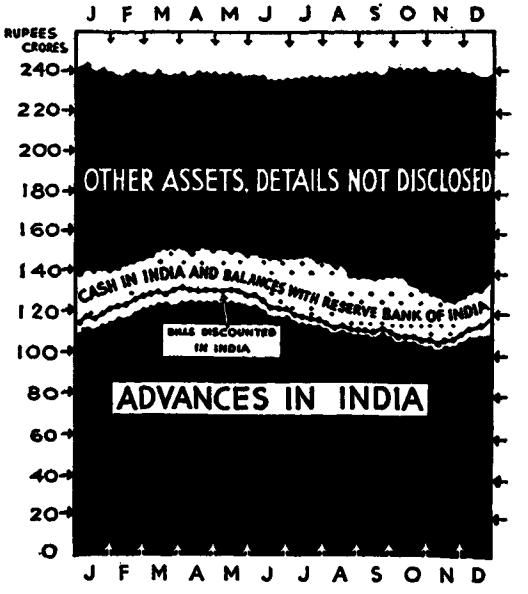
The Budget provided nothing spectacular; on the contrary it revealed a sober appreciation of the realities which the Government must take into account before embarking upon new schemes. Excluding the item of Prohibition, which showed a net loss of Rs.30 lacs, expenditure of Rs.62.38 lacs had been earmarked for rural reconstruction, aid to industry and labour, education and certain minor schemes which were manifestly of an experimental nature. The only item of taxation was the increase in surcharge on Electricity from 2 pice to 3 pice. The Government have appointed a Committee to investigate into the rates of all the electric supply companies in the Province of Bombay which are of more than seven years' standing and to recommend maxima rates which they can be allowed to charge.

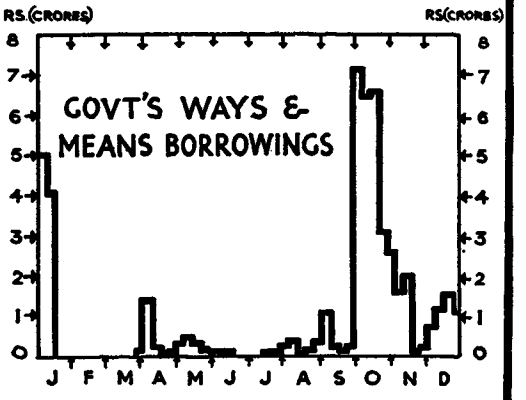
The policy of 'hastening slowly,' at least in the sphere of finance, is a wise one and the Government of Bombay have done well to postpone large-scale expenditure of a recurrent nature till they find elastic sources of revenue to pay for it.

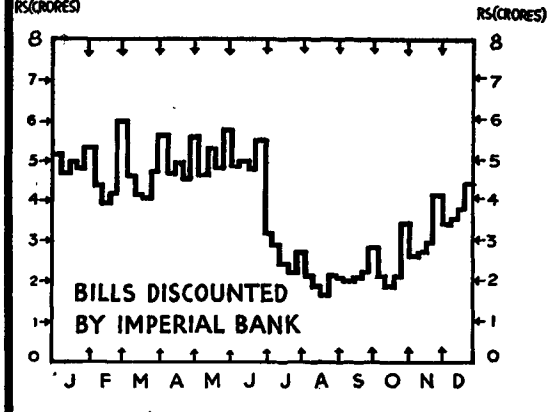
TOTAL LIABILITIES OF SCHEDULED BANKS

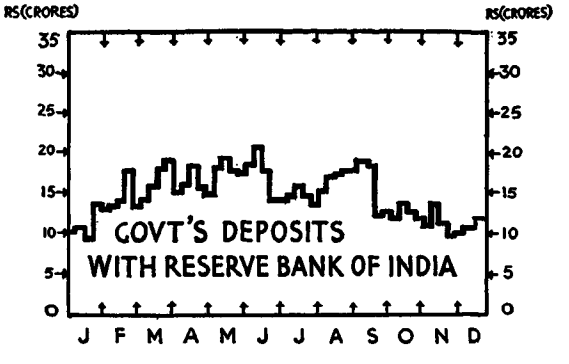


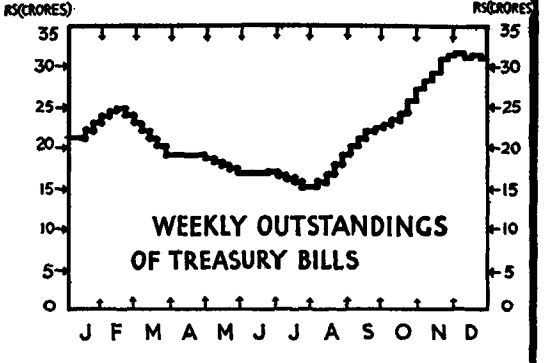
TOTAL ASSETS OF SCHEDULED BANKS



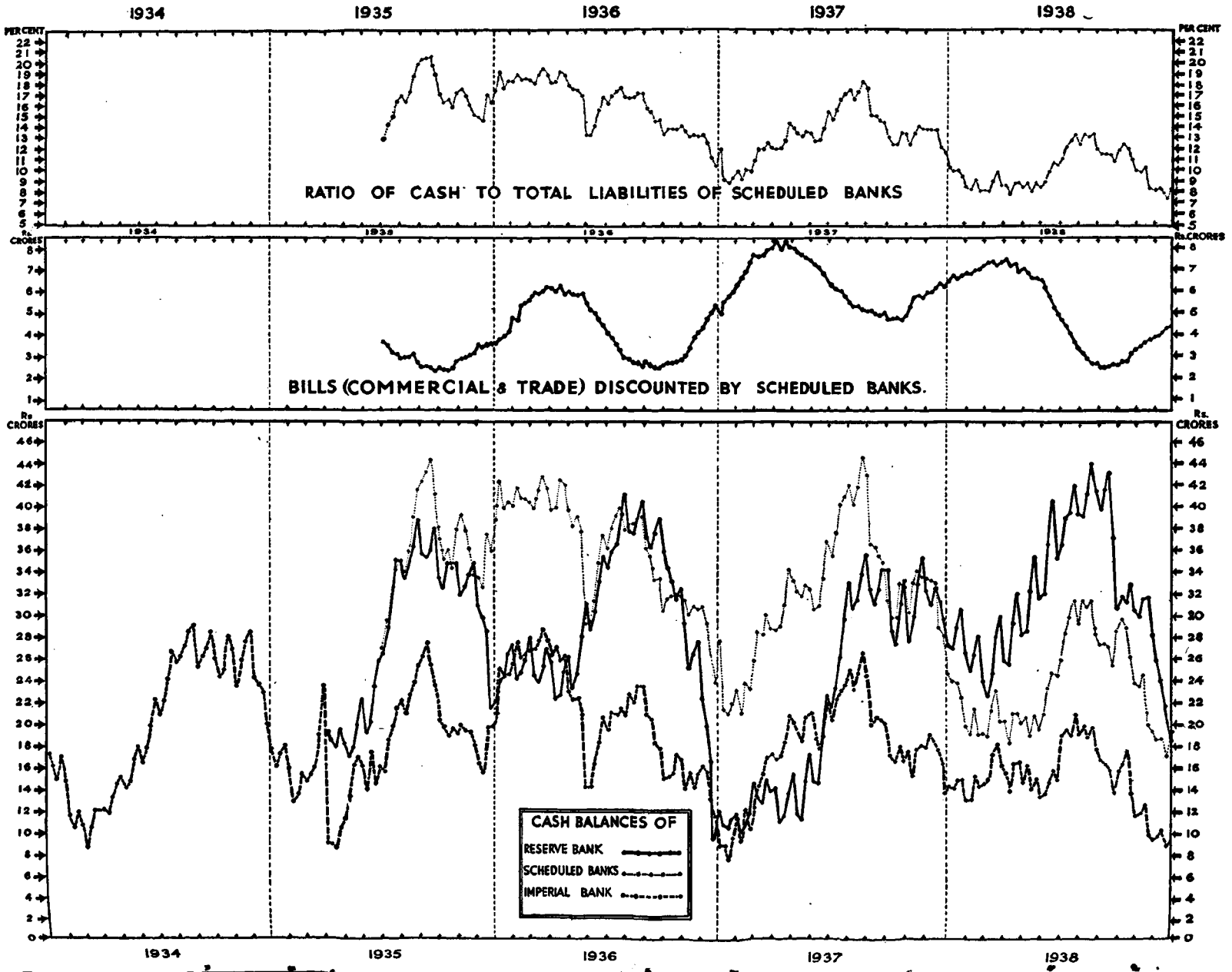








MONEY CHART, 1938.



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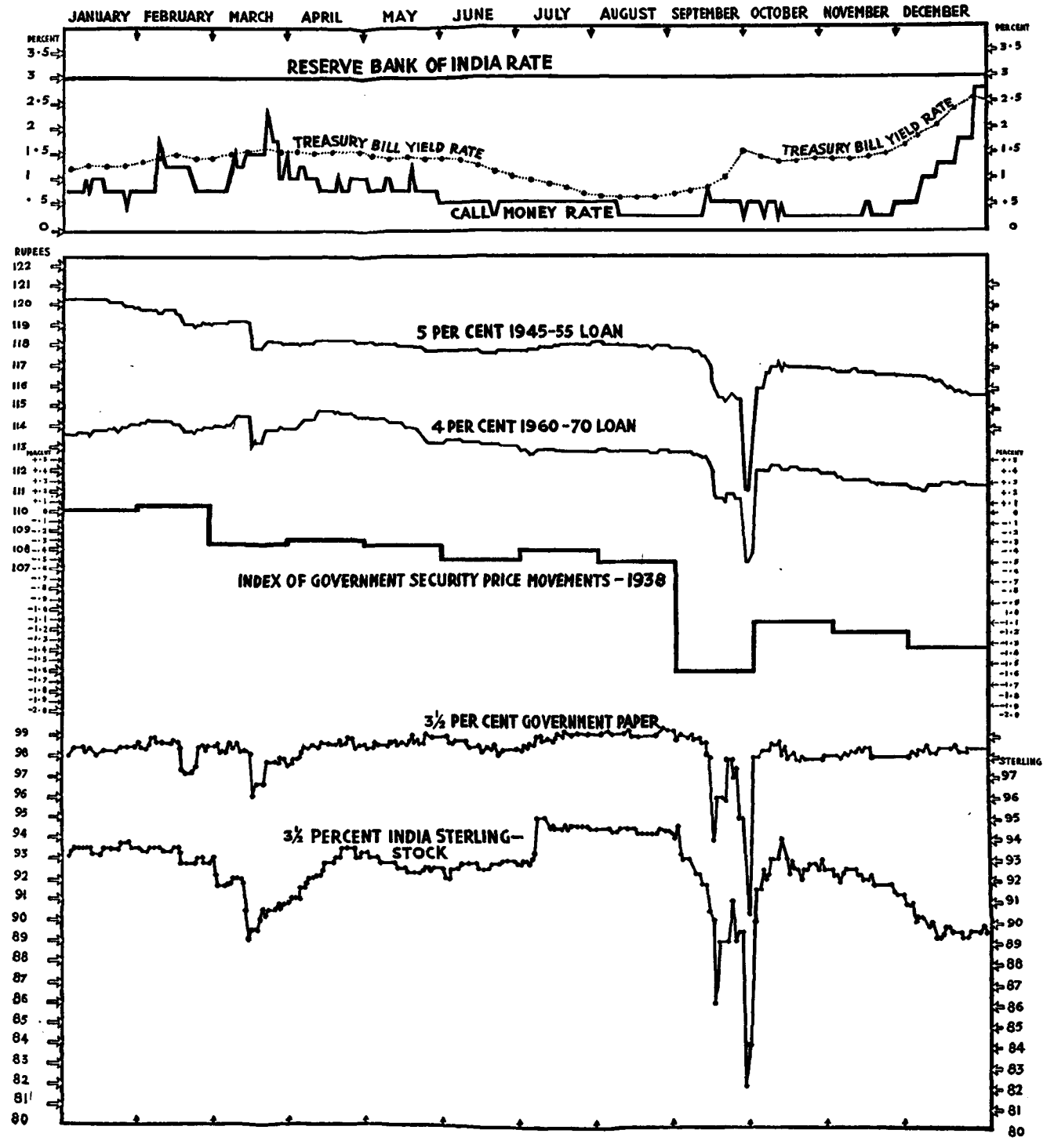


STERLING EXCHANGE.

Sterling exchange opened quietly steady and ru d so throughout the first quarter of 1938.

Market opens steady.

Sellers of ready T.T. quoted 1*s.* $6\frac{3}{32}$*d.*, while buyers quoted between 1*s.* $6\frac{7}{64}$*d.* and 1*s.* $6\frac{9}{64}$*d.*, business being done within this range depending upon the volume of export bills in the market. Monetary situation was also responsible for the comparative strength and there was good inflow of foreign money for investment in local Treasury Bills owing to the relatively attractive yield on them. Gold exports lent their usual support, although this was not so regular owing partly to lack of supplies and partly to our market being inclined to keep over the export parity. The Reserve Bank of India were able to buy large amounts of sterling every

Reserve bank buy large amounts of sterling.

week at 1*s.* $6\frac{1}{8}$*d.* and the amount of weekly tenders was raised from £1 million to £$1\frac{1}{2}$ million with effect from 9th February and to £2 million from 16th February. The percentage allotted on several occasions was very small being about 2 to 3 per cent. Purchases of sterling by Government during the first quarter aggregated £13 million making a total of £25 million in the fiscal year 1937-38, leaving a deficit of £10 million in the budgetted figure.

From the beginning of April, the sterling exchange market showed signs of easing. Money

Market becomes easier.

was easier and there was no incentive for foreign funds to seek investment in the local Treasury Bill market. Gold exports were also declining and merchandise bills were getting thinner. Quotations for spot T.T. were, however, unchanged at 1*s.* $6\frac{3}{32}$*d.* for sellers and 1*s.* $6\frac{1}{8}$*d.* for buyers. Government were unable to get full quota of weekly tenders and the amount was reduced from £2 million to £1 million a week and even of this only small amounts were tendered.

In the second week of April, the Reserve Bank of India accepted a small amount of £10,000

Reserve Bank reduces sterling tender acceptance rate.

tendered at 1s. $6\frac{3}{32}$*d.* It was after nearly three years that the Government buying rate of sterling was lowered from 1*s.* $6\frac{1}{8}$*d.* to 1*s.* $6\frac{3}{32}$*d.* and this was taken as an indication for a weaker exchange by the market. The market declined sharply largely on sentimental grounds, there being no such perceptible change in business conditions. Sellers

Rates decline sharply.

of ready T.T. quoted 1*s.* 6*d.* while buyers quoted 1*s.* $6\frac{1}{32}$*d.* The Reserve Bank reduced the amount of weekly tenders to £500,000 on the 20th.

The market ruled steady at this level upto the last week of April, Government having rejected

Reserve Bank rejects all sterling tenders.

all tenders of sterling made to them at 1*s.* 6*d.*, during this period. Traders and speculators, however, viewed the situation with some concern, and there was a rush by importers to cover their forward commitments in sterling, speculators also were keen to take advantage of the situation and bought forward T.T. on London, believing that the rupee would depreciate further against sterling.

Rates slip down.

This brought the market down to sellers of spot T.T. at 1*s.* $5\frac{13}{16}$ *l.* and buyers at 1*s.* $5\frac{29}{32}$*d.* The Reserve Bank issued a communique on the 27th of April suspending

Sterling tenders suspended and rates improve slightly.

weekly sterling tenders, which created a better sentiment in the market. This coupled with large weekly bookings of gold exports caused the market to firm up, and bear-covering resulted in an improvement in the rupee, sellers of ready T.T. quoting 1*s.* $5\frac{7}{8}$*d.* and buyer 1*s.* $5\frac{5}{16}$*d.*

Throughout May, rupee-sterling exchange ruled steady between 1*s.* $5\frac{27}{32}$*d.* and 1*s.* $5\frac{29}{32}$*d.*, but the undertone was quiet, there being little or no merchandise export bills on the market. Gold exports occasionally lent strength, but this was no more than temporary.

Market rules steady.

In the first week of June, the market was easy once again owing to almost complete absence of export bills and continuous speculative inquiry for forward positions. The quotations almost touched the lower rupee point, sellers quoting 1*s.* $5\frac{3}{4}$*d.* and buyers 1*s.* 5-25/32*d.* The turnover at this level, however, was small, but the feeling persisted that the rupee was inherently weak and the belief in a lower value of the rupee, sooner or later, was getting stronger. The Government of India with a view to allay these fears, issued a communique on June 6th as under :—

Rates decline and market rules easy.

Government of India issue a communique.

" In view of suggestion to which publicity has been given in various quarters that the exchange value of the rupee should be altered, the Government of India wish to make it clear that they are satisfied that the maintenance of the present value of the rupee is required in the interests of India and that the resources available for this purpose are more than ample. In this connection, it may be pointed out that gold and sterling assets actually in the hands of the Reserve Bank and the Government of India are at the present time worth more than Rs. 160,00,00,000. The Government of India have no intention of permitting any alteration in the present statutory ratio."

On the publication of the above communique, Mr. Subash Chandra Bose, the Congress President, issued an appeal to the public in general and Chambers of Commerce in particular to launch a country wide campaign for the lowering of the ratio. In his concluding remarks he said " I have no doubt in my mind that if we put forth necessary effort, we shall get the settled fact unsettled once again."

Congress President's appeal to public on rupee ratio.

The Government communique had little effect on the exchange market, which remained weak. The B.C.T.T. rate was in fact lowered by the Exchange Banks Association from 1*s.* $5\frac{3}{4}$*d.* to 1*s.* 5-23/32*d.* which was 3/64*d.* under the statutory rate of the Reserve Bank of India of 1*s.* 5-49/64*d.* The weakness in rupee/sterling exchange caused export bills, whatever they were, to be held up and the price of gold got nearer import parity on heavy speculative purchases. Continuous speculative inquiry for forward exchange made for a quiet exchange market and a firm gold market.

Rupee/Sterling exchange unaffected.

At this stage, some export bills in connection with jute exports and booking of export business in gold coins were responsible for a 1/32*d.* improvement in the quotation for spot T.T. on London. Moreover, towards the end of June, speculative inquiry for forward exchange had been satisfied. This improvement in the rupee/sterling exchange continued in July and there were sellers of ready T.T. at 1*s.* 5-29/32*d.* and buyers at 1*s.* 5-15/16*d.* in the second week of the month.

Jute and gold coin export: steady sterling rates.

The market remained steady throughout July and upto the third week of August supported mainly by large exports of gold coin. Sellers of ready T.T. quoted between 1*s.* 5⅞*d.* and 1*s.* 5-29/32*d.* while buyers quoted 1*s.* 5-15/16*d.* almost throughout. Towards the end of August, however, fresh business for export of gold and gold coin had diminished and there was renewed inquiry for remittances for near and forward deliveries. Rates eased, with sellers of ready T.T. quoting 1*s.* 5-13/16*d.* and buyers 1*s.* 5-27/32*d.*

Market rules quietly steady.

The lull in export of gold coin proved temporary and there was renewed inquiry in early September. As a consequence, sterling market steadied to 1*s.* 5⅞*d.* for sellers of ready T.T. and 1*s.* 5-29/32*d.* for buyers. The Reserve Bank had fixed their rate for buying sterling on " tap " at 1*s.* 5-15/16*d.* and occasionally received small amounts at the rate. The Bank's total purchases since the beginning of April till the end of September had amounted to £2 million.

Renewed inquiry for gold coins steadies up rates.

The market ruled steady throughout the remainder of the year, quotations for ready T.T. being practically unchanged between 1*s.* 5⅞*d.* and 1*s.* 5-15/16*d.* Merchandise export bills were occasionally placed in the market and stringent monetary conditions also contributed towards the strength of the rupee, particularly towards the close. The forward exchange market, however, was mostly nominal, there being no sellers of sterling ; whereas speculators still believed in a possible change in the rupee/sterling ratio and were buyers of forward T.T. on London whenever available. Even trade was anxious to keep its forward import commitments covered.

Quotations unchanged.

Rumours were still current during December about an early change in the rupee ratio and the Government of India deemed it necessary to issue another communique on 16th December as under :—

Renewed rumours re: change in rupee ratio.

" The Government of India wish to make it clear that they have no intention of allowing a lowering of the present exchange value of the rupee. On the contrary, they intend to defend it by every means in their power and are confident of their entire ability to maintain it."

Reserve Bank got some sterling at 1*s.* 5-15/16*d.* during September and October and acquired moderate amounts during November and December by purchasing gold locally in terms of rupees and selling it in terms of sterling. The total amount of sterling bought by the Reserve Bank during the nine months from 1st April was £5 million against £36·25 million budgetted for the fiscal year 1938-39.

Reserve Bank receives sterling on tap.

FOREIGN EXCHANGE.

At the opening of 1938, sterling ruled steady as against both the U.S. dollar and the French franc. The fears of an inflationary policy in the U.S.A. and labour troubles in France were the contributory factors. The nervousness regarding the French situation was so great that even the rigid control exercised by French authorities did not prevent the sterling/franc cross-rate from moving up to frs. 154·25 (14th) from the opening level of frs. 147·29. The discount on three months'

Sterling opens steady against the U. S. Dollar and the Franc.

forward francs widened from frs. 4·875 to frs. 10·25. The London/New York cross-rate touched 501·05 cents (3rd), but recovered to 499·80 cents (7th). The premium on three months' forward dollars, however, remained unchanged at 0·71 cents and other currencies were unaffected.

French Cabinet resigns and new Cabinet formed.

In the third week of Janury, the French Cabinet had to resign and the franc moved erratically. On the formation of the new Cabinet, however, the franc recovered to 148·71 for spot, while the discount on three months' forward delivery narrowed to frs. 5. Movements in the London/New York cross-rate, on the other hand, were comparatively small, the quotation ranging between 498·85 and 500·02 cents.

Erratic movements in the French Franc.

The franc was, however, still vulnerable and intrinsically weak. It was controlled spasmodically but once again moved up to 155·00 (27th) and the discount on three months' forward delivery widened to frs. 7 by the end of January.

Fluctuations narrow.

During the first half of February movements in foreign exchanges in the London market were relatively narrow, but the undertone of sterling was quite firm. The firmness was reported to be due to offerings of dollars on continental account initiated by fears of the U.S. Administration adopting an inflationary policy to bring about a rise in commodity prices and on rumours about the likelihood of a further devaluation of the dollar in terms of gold to give effect to the inflationary programme.

Renewed talks of inflation in U. S. A.

Sharp advance in the cross-rate.

There was a sharp advance in the cross-rate to 503·67 cents (16th) and the premium on three months' forward dollars declined from 0·72 to 0·62 cents. The franc, on the other hand, moved within a comparatively narrow range of 153·15 and 151·31 and the discount on three months' forward position fluctuated between frs. 4·875 and frs. 6·00.

Bear-covering causes improvement in the dollar.

In the last week of February, President Roosevelt made a statement denying all possibility of the U.S. Treasury adopting any inflationary programme, as a result of which there was considerable bear-covering. Further the resignation of the British Secretary of State for foreign affairs owing to a conflict of views in the British Cabinet on foreign policy gave rise to sales of sterling and buying of dollars, with the result that the cross-rate declined from 503·67 cents to 500·72 cents (21st), while the premium on three months' forward delivery increased from 0·64 to 0·76 cents. The franc and other continental currencies were practically unchanged.

French cabinet in difficulties again.

In the first week of March, fresh labour troubles were reported in France and it was rumoured that the French Cabinet was in difficulties. The franc was heavily offered and the rate advanced to frs. 158·78 (10th), whereas the three months' forward delivery was quoted at discounts between frs. 4·25 and frs. 7·68. The dollar remained practically unchanged between 500·85 cents and 501·85 cents, but the premium on three months' forward dollars increased further to 0·81 cents.

At this stage, European political situation was causing grave anxiety and there was a natural inclination on the part of investors to remit funds to America. The dollar gradually strengthened and the cross-rate declined to 496·37 cents (17th). The franc, on the other hand, was weak and was freely offered touching the high level of 166·75 (15th). At this stage, the Control intervened and the rate rallied to frs. 160·37 (16th). The discount on three months' forward delivery also narrowed in sympathy to frs. 3·625.

European political situation deteriorates.

During the latter part of March, the foreign exchanges in London were erratic and changed with varying reports regarding European political situation. The dollar ranged between 495·50 cents and 497·50 cents and the franc between 162 and 165. The premium on three months' forward dollars declined to 0·67 cents and the discount on three months' forward franc after advancing to frs. 4·18, declined to frs. 0·680.

Market erratic.

Owing to exchange restrictions introduced in Shanghai, the Shanghai dollar slumped from 14-1/16*d.* to 10-1/2*d.* (28th), but recovered immediately to 12-1/2*d.* The yen was unchanged.

Shanghai dollar slumps.

The European situation had eased by the beginning of April and the franc improved to 159·18 (4th). The London/New York cross-rate was practically unchanged at 496·75 cents until the second week of April when sterling was once again strong as against the dollar and the franc, the former moving up to 497·75 and the latter to 162·25 on the resignation of the French Cabinet. The formation of the new Cabinet by M. Daladier and the unexpected support accorded to the new Government, caused the franc to rally to 158·06 (13th) and the discount on three months' forward franc declined to frs. 3·060.

European situation eases.

New French Cabinet formed.

In the third week of the month, the dollar weakened sharply following the desterilisation of gold by the U.S. Treasury since this lent additional colour to the already widespread rumours regarding the devaluation of the dollar. The cross-rate advanced sharply to 501·00 cents (19th), but recovered to 498·43 cents (20th) on commercial demand for the currency. Spot franc was practically unchanged, but the discount on three months' forward francs narrowed further to frs. 2·65.

U. S. dollar devaluation rumours gain ground again.

In the last week of April, however, the franc was subjected to renewed bear attack following reports about a devaluation of the franc over the weekend and on the flotation of an internal loan. The sterling/franc rate advanced to frs. 166·50 (25th), but the intervention of the French Control pushed the rate back to frs. 162·37. The discount on three months' forward delivery once again widened to frs. 5·31. The dollar was practically unchanged during this period.

Renewed bear attack on the franc.

On 5th May, it was announced by the French Premier M. Daladier that it was necessary in order to attain monetary stability in France to devalue the franc and accordingly an official decree was issued fixing the franc rate at 179 to the pound sterling. As a result, gold and capital were quickly repatriated and it was reported that the

French franc devalued.

Treasury had netted six millard francs by sales of sterling and dollar in a day or two. The discount on forward francs shrank to frs. 0·375 for three months, this being the lowest discount in the past few years. For the following two weeks, there was no important change in the foreign exchanges, but towards the end of the month, the dollar firmed up once again following political tension in Europe. The cross-rate gradually moved to 494·62 cents (25th) at the end of the month. The franc moved between 177 and 179, but the discount on three months' forward delivery widened to frs. 1·31 at the end of May.

Franc linked to the pound sterling.

The Shanghai dollar, which had been well maintained around 12*d.* since the last change, weakened to 10-1/4*d.* towards the end of May and weakened further to 8-1/4*d.* by mid-June.

Shanghai dollar weakens further.

Throughout June, movements in foreign exchanges in London were relatively narrow, but during the first week of July, the dollar improved to 493·50 cents to the pound sterling (7th) on continental demand for the currency against purchases of dollar securities.

Narrow movements in exchanges.

Rumours were now rife that the London/New York cross-rate was likely to be stabilised at the pre-war level of 485 cents and this led to a further appreciation of the dollar to 491·78 cents (19th). Responsible British and American quarters, however, denied the possibility of any such action and the sterling/dollar cross-rate remained stable around 492 cents. The franc, on the other hand, was subjected to heavy selling on continental account against purchases of gold and gold coins in the London market. Paris showed signs of uneasiness as regards the fate of the franc after the Plenary powers of the Government expired at the end of July. The spot rate advanced to frs. 178·75 and the discount on three months' forward position widened to frs. 3·18. During the remainder of July, there were no changes of consequence in the foreign exchanges in the London market.

Rumours re: stabilisation of New York/London Cross-rate afloat.

Nervousness prevails re: French francs.

In the first week of August, however, the U.S. dollar was in good demand as a result of fresh disturbances in the Far East and the London/New York cross-rate moved down to 489·06 cents (4th). French francs, on the other hand, were pegged by French Control around 178. The dollar ruled steady throughout September and towards the end of the month, there was a scramble for dollars owing to grave political situation in Europe and a consequent flight of capital to New York. The British and American controls intervened intermittently to avoid sharp movements in the cross-rate which declined precipitately to 458 cents (28th). The franc tended to depreciate particularly for forward and the discount on three months' forward francs widened once again to as high as frs. 7·25 (27th).

U. S. dollar in good demand and French franc pegged.

U. S. dollar appreciates sharply owing to European politics.

The political situation in Europe having eased early in October, the sterling/dollar cross-rate firmed up sharply to 483·00 cents to the pound (1st). The premium on three months' forward dollars, which had widened to 2·81 cents, narrowed to 1·03 cents (6th). The strength of sterling, however, proved temporary, since the

Political situation improves and cross-rate rises.

European appeasement was not believed to be of a lasting nature and besides there was a seasonal demand for dollars with the result that the London/New York cross-rate again moved to 473·37 cents (13th) despite active intervention by official sources. The premium on three months' forward dollars widened once again to 2·06 cents. The spot franc rate was pegged around 179 to the pound, but the discount on three months' forward delivery moved erratically between frs. 8·25 and 3·93. Other European currencies were practically unchanged.

U. S. dollar improves once again.

During the latter half of October and early November, the London/New York cross-rate moved erratically between 474 cents and 478 cents and the premium on three months' forward ranged between 1·75 cents and 1·15 cents.

Erratic movements in exchanges.

Towards the middle of November, the dollar again showed signs of appreciating on heavy sales of sterling against purchases of U.S. dollars by the Continent. The Control operated occasionally, but the cross-rate declined gradually to 462·62 cents (28th) and the premium on three months' forward dollars widened to 1·71 cents. European political situation was the main factor affecting sterling/dollar cross-rate. The French-franc was kept well under control for spot during this period and hovered around francs 178·50 to the pound. Other currencies were practically unchanged.

U. S. Dollar appreciates.

At the beginning of December, there was some profit-taking in dollars and the cross-rate advanced to 470 cents (6th), but the premium widened to 2·25 cents for three months. The franc, on the other hand, improved on repatriation of French Capital and the French Control was reported to have acquired large foreign exchange reserves within a very short time. The quotation improved to 177·32 (7th) and the discount on three months' forward delivery completely disappeared, some business being actually reported at a premium of 0·06 francs for one month's forward delivery (2nd). This was, however, short-lived and three months' forward francs were once again quoted at a discount of francs 1·06 (13th).

Profit-taking causes improvement in sterling.

During the remainder of December, the dollar moved within a narrow range of 466 cents and 467 cents to the pound sterling and the franc was almost stable around 178. Other currencies remained practically unchanged.

Narrow range of movements.

GOLD.

The gold market was dull and inactive at the opening and price movements were negligible. The spot quotation ranged between Rs.34-6 and Rs.34-7-6 per tola and at that was above export parity. The quotation in the London market also veered around 139*s.* 6*d.* to 139*s.* 8*d.* per oz. and changes in the London/New York cross-rate were reflected in a rise or fall in the premium on the price of gold over the dollar arbitrage parity. The stocks at the opening were estimated at about 75,000 tolas and arrivals averaged about 8,000 tolas a day. Sovereigns were a dull market being quoted at Rs.22-6-6 to Rs.22-7 per coin.

Market opens dull.

Throughout January and almost upto the end of February, the price of gold in the local market moved within a narrow range of Rs.34-6 and Rs.34-9 per tola for spot delivery. Forward deliveries, however, were quoted at a discount of about two annas per tola since banks were unwilling to buy post-budget deliveries owing to fears of a possible export duty on gold. The price of the metal in London also moved between 139*s.* 8*d.* and 139*s.* 10½*d.* per oz. but the premium over the dollar arbitrage parity at one time increased to as much as 20*d.* (16th Feb.). Stocks of the metal had increased to 150,000 tolas by early February, but were reduced to about 50,000 tolas by the end of the month owing to large shipments abroad. Daily arrivals ranged between 12,000 and 15,000 tolas. Sovereigns were neglected and were almost unchanged around Rs.22-7 per coin.

Narrow fluctuations in price.

Premium on gold widens in London.

Sovereigns neglected.

On the eve of the declaration of the Government of India's Budget proposals for 1938-39, buyers were holding off which coupled with small selling by arbitrageurs, caused a drop of about three annas per tola to Rs.34-5-6 (25th). Immediately on the publication of the Budget, which did not affect the gold market any way, the price recovered to Rs.34-8 per tola. Forward delivery was now quoted at almost level rates with the spot price. The price in London was almost unchanged at 139*s.* 9*d.* to 139*s.* 10*d.* but the premium over the sterling dollar arbitrage parity stood at 14*d.* Sovereigns improved slightly to Rs.22-7-3.

Prices recover after publication of budget proposals.

In the early part of March, the price of gold improved further to Rs.34-8-9 (3rd) per tola and at that rate ruled over export parity. There was some reselling by banks, but this did not affect rates since dealers were short on their outstanding March contracts. For the first time since the abandonment of the gold standard in 1931 which had brought about a continuous outflow of gold from India, there was no consignment of gold to Europe or America in the week ending 5th March. Local stocks increased to about 75,000 tolas and arrivals were estimated at 6,000 to 8,000 tolas a day. There was some inquiry for sovereigns from Madras and the Far East and the price improved to Rs.22-9 per piece.

Further improvement in prices.

Prices rule over export parity and no shipments made abroad.

In the middle of March following improvement of the dollar in terms of sterling, the price of gold moved up to Rs.34-12-3 (17th) per tola and the quotation in London advanced to 140*s.* ½*d.* There was still a further improvement in the following week, spot gold being quoted at Rs.34-14 per tola (19th) and in London at 140*s.* 5½*d.* per oz. The rates in the local market ruled over export parity for most part resulting in considerable reselling by local banks. The premium on gold in London was almost completely wiped out and ranged between 1/2*d.* and 1-1/2*d.* per oz. Sovereigns moved up in sympathy with gold and there was a fair demand for the coins. The price improved

Prices improve further.

Premium on gold in London dwindles.

to Rs.22-13-3 per coin. The stocks of gold in the local market had been depleted to 25,000 tolas by the beginning of April owing to shipments against outstanding contracts. Partly in sympathy with London advices and partly owing to scarcity of supply, the price of gold firmed up to Rs.35-0-3 (1st). At higher levels arrivals from upcountry improved to 15,000 tolas a day and in the absence of inquiry for export, the price declined to Rs.34-14 (5th). Price changes were narrow during the second week of April and stocks increased to about 75,000 tolas. In the third week of April, the price dropped to Rs.34-12-3 (20th) in sympathy with London where spot price declined to 139*s.* 6*d.* The demand for sovereigns from abroad was fair till about the third week when it fell off and there was a sharp decline in the price of the coin from Rs.22-15 to Rs.22-9.

Arrivals from upcountry improve.

Demand for sovereigns spasmodic.

In the last week of April, price of gold moved erratically following the New York/London cross-rate. The spot quotation moved between Rs.35-0-9 and Rs.34-12-9 per tola. A fair amount of business was transacted partly for export and partly as a cover against the depreciating rupee. Stocks in the meantime had increased to 150,000 tolas, while arrivals were estimated at 15,000 tolas a day.

Prices move erratically.

During the first three weeks of May, the movements in gold were confined to a narrow range, but there was a sharp advance in prices towards the end of the month following an appreciation of the dollar. The spot price rose to Rs.35-4 per tola (26th) and the quotation in London moved up to 140*s.* 9*d.* There was a good turnover in the local market on option dealers' buying, but business for export was negligible owing to rates remaining above parity. Demand for sovereigns also revived towards the end of May and the price improved from Rs.22-8-6 to Rs. 22-11 per coin.

Narrow movements in price.

Demand for sovereigns revives.

The rise in the price of the metal witnessed towards the end of May continued throughout June. Weakness in the rupee/sterling exchange coupled with the appreciation of the dollar in terms of sterling accounted for this tendency. The premium on gold in London once again increased to over 12*d.* and there was a good demand for the metal. In the local market speculators bought heavily and despite large resales by local banks on arbitrage account, the price advanced to Rs.35-14-3 per tola (15th). Business for export was difficult owing to local rates remaining over parity and stocks mounted to 300,000 tolas by mid-June. Arrivals were also large owing to a sharp rise in the price and averaged about 25,000 tolas a day.

Prices advance sharply.

Stocks mount up.

In the third week of June, however, the demand for the metal in London fell off and the premium on the metal declined by 5*d.* As a consequence, the quotation dropped to Rs.35-7-3 per tola in the local market. With a drop in the price, the arrivals declined sharply to 8,000 tolas a day, but stocks were still estimated at about 300,000 tolas. The demand for sovereigns revived a little and the price improved to Rs.22-13.

Premium on gold in London market declines.

Demand for sovereigns continues.

Barring a temporary setback in the price of gold to Rs.35-2-9 in the beginning of July, the price of the metal ruled steady throughout the month and ranged between Rs.35-8 and Rs.35-11 per tola. There was a good demand for sovereigns for export, which

Price declines temporarily.

was largely responsible for the higher rate for gold. The stocks of the metal declined gradually and were estimated at about 150,000 tolas at the end of the month. The price for sovereigns advanced to Rs.23-0-6 during this period.

Large demand for sovereigns.

From the beginning of August, the dollar gradually firmed up in terms of sterling on European political situation with the result that the price of gold in London advanced to 142*s.* 9*d.* per oz. (13th). Partly in sympathy with this rise and partly on continued demand for gold against shipments of sovereigns the price of the metal in the local market firmed to Rs.36-2 per tola (15th). The quotation for sovereigns rose to Rs.23-8 (15th). At the higher level, arrivals of gold from upcountry began to increase and were estimated at about 15,000 tolas a day in the middle of August. Stocks at the close of the month were estimated at about 200,000 tolas.

U. S. dollar firms and price of gold advances.

Sovereigns advance.

The political situation in Europe took a grave turn from early September and there was a "gold rush" in the London market and large amounts were reported to have changed hands at the fixing. The price advanced to 143*s.* 3½*d.* per oz. in London and the local rate moved up to Rs.36-4-6 (2nd).

Political situation in Europe causes "gold rush."

The dollar appreciated sharply against sterling by the middle of September and the price of the metal in London advanced to 144*s.* 11*d.* (14th). The price in the local market advanced temporarily to Rs.36-12 (6th) but declined to Rs.35-15-6 (17th) since export was impossible owing to prohibitive rates for war risk insurance. In fact, export of coins and gold was almost at a complete standstill throughout the remainder of September. The stocks in the local market began to mount up to 600,000 tolas by the end of September. In the last week of the month, the price movements were erratic, following changes in the London/New York cross-rate as well as the frequently changing war risk insurance rates.

Sharp appreciation in U. S. dollar.

Gold price declines owing to increase in war risk insurance.

The political situation in Europe saw a considerable change for the better from the beginning of October and the price of gold henceforth moved in consonance with the New York/London cross-rate. Some business was reported for export of gold and gold coins in the second week of October. The price of the metal gradually moved up touching Rs.36-11 (17th). The price in London advanced to 146*s.* 10*d.* (14th). Large shipments were made during this period and stocks declined to 175,000 tolas by the end of October. Daily arrivals also declined to about 8,000 tolas. Sovereigns were dull and neglected and the price moved in sympathy with changes in the gold rate.

European situation improves and price of gold advances.

The market was quite steady early in November, the quotation for spot ranging around Rs.36-8 per tola. There was some special buying of gold in evidence in the local market which was largely responsible for the steady feeling. The prices ruled over export parity for most of the time, but stocks were kept low on account of the deliveries taken by the Reserve Bank of India against the special buying reported in the week. According to monthly trade returns published by the Government of India, Reserve Bank of India purchased gold worth Rs.53 lacs during the month of October 1938 and Rs.160 lacs during November 1938. These purchases were for a third party and are being held in India by the Reserve Bank of India in an earmarked account.

Market rules steady on special buying by reserve bank.

Price of metal advances in London.

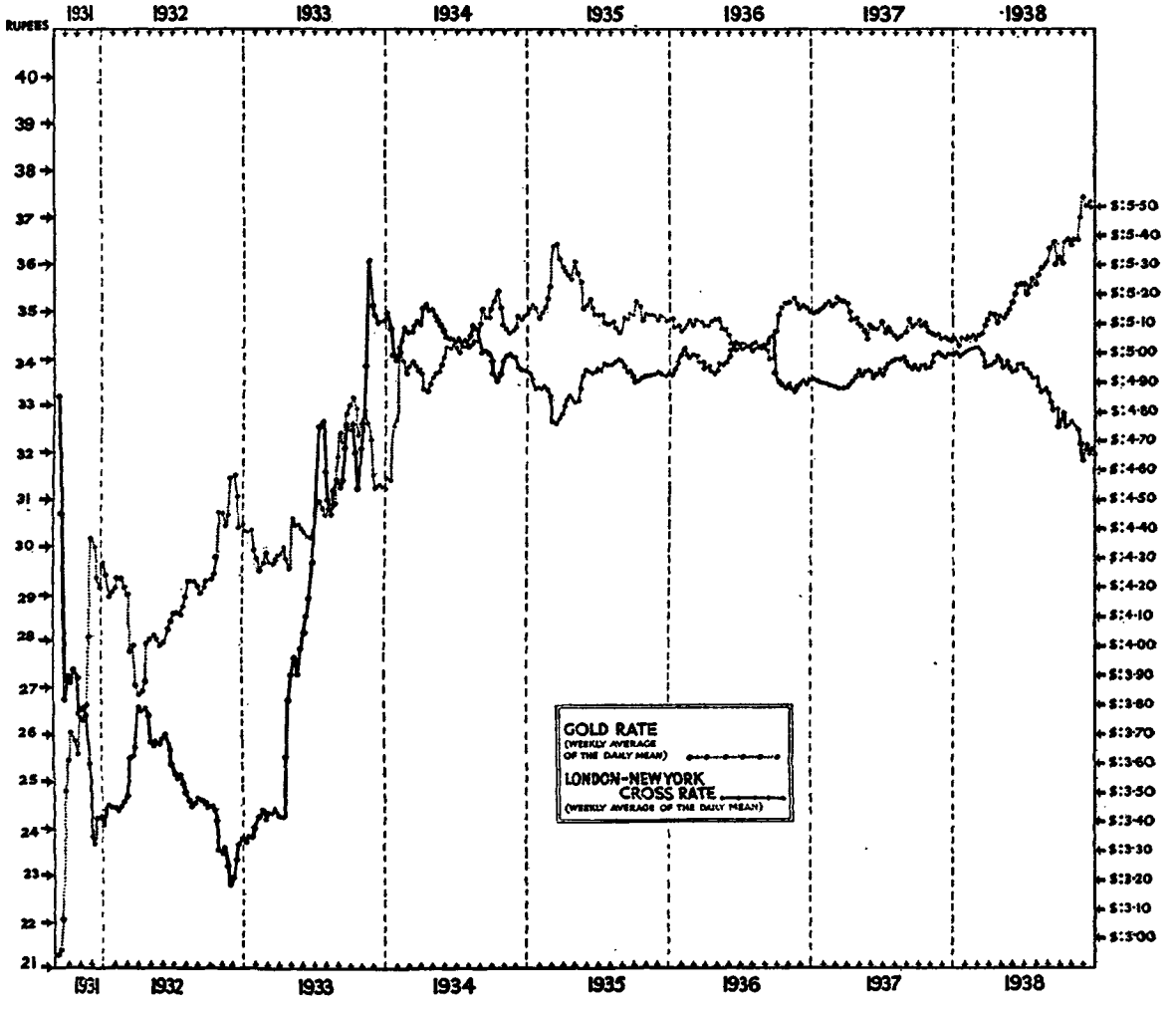
The price in London in the meantime was also moving up in sympathy with the dollar which was definitely firm owing to continental inquiry for the currency and purchases by the Reserve Bank of India in the local market gave added impetus to rates. By the end of November, the price of gold in London reached 150*s.* 2½*d.* (26th) and the local quotation advanced to Rs.37-10-6 (28th) beating all previous price records. Option dealers in the local market were anxious buyers and consequently the turnover was large.

Record high rates reached.

Steady tone continues.

Throughout December, the gold market remained steady and prices ruled well over export parity making fresh business almost impossible. The only occasional buying witnessed was from the Reserve Bank of India for some special account. The price for spot ranged between Rs.37-2 and Rs.37-8 per tola and for the most part hovered around Rs.37-5. In the absence of any fresh business, stocks accumulated in the local market to 500,000 tolas at the end of the year. The daily arrivals averaged 12,000 to 15,000 tolas.

Stocks accumulated.



SILVER.

The silver market was in a state of tense excitement at the close of the year 1937 awaiting President Roosevelt's announcement regarding the future price to be paid by the U.S. Treasury for the newly mined American silver. The price was altered on the New Year's eve from 77·57 cents to 64·64 cents per fine oz. by a proclamation from the President. That price was to remain in effect for one year but the President reserved the right to revoke or modify it at any time. The market gave a mixed reception to the President's announcement and keenly awaited the publication of the Treasury's buying price for foreign silver which was of much greater importance to the outside markets.

Market excited at the opening.

President Roosevelt's proclamation re: domestic price.

The old level of 45 cents was continued for puchases of foreign silver which caused a fair amount of bear-covering early in the year with the result that the price of ready silver in the local market rose by more than a rupee per 100 tolas to Rs.49-14-6 (5th). The realisation of the fact that the foreign buying price of the Treasury was good only for 24 hours caused hesitation among speculators and profit-taking ensued, causing the price to recede to Rs.49-1-6 (6th) and then recover back to Rs.49-8 per 100 tolas. Stocks in the local market amounted to about 7,000 bars and the offtake averaged some 120 bars a day. In the London market similar movements were witnessed. Spot opened at 19-1/16*d.* and advanced by half a penny and receded to 19-7/16*d.* Two months' forward was quoted at 3/16*d.* to 1/4*d.* under spot.

No change in foreign price.

Rapid price changes.

Sympathetic movements in London.

In the succeeding two weeks, silver ruled steady on continuous bear-covering both locally and in the London market and the price of spot advanced to Rs.50-15 (19th). The quotation in London rose to 20-3/8*d.* for spot (19th) and two months' forward remained at 1/4*d.* to 5/16*d.* discount.

Market rules steady.

In the last week of January, the market showed a sagging tendency on general selling which was influenced by reports of a statement made by Mr. Morganthau that the American Government had not yet entered into an agreement to buy during the month of February Mexican mine silver. In the absence of any buying from India, the price of the metal in London dropped to 20*d.* per oz. (21st) and the local rate fell to Rs.50-7 for 100 tolas. There was some bear-covering at lower rates with the result that the London quotation moved up to 20-1/4*d.* and the local rate improved to Rs.50-10-6 (27th). The local price, however, was under import parity all the time making fresh shipments impossible. The stocks accordingly fell to about 5,000 bars at the end of the month and the offtake averaged 110 bars a day.

Prices decline.

Early in February, the U.S. Treasury announced that purchases to the extent of 5 million ozs. from Mexico and 2 million ozs. from Canada would be made during February. This gave a slight impetus to the market, but there was no important change in quotations.

U. S. Treasury continues purchases from Mexico.

Rumours re: silver duty.

Rumours regarding a possible reduction in the import duty on silver in the forthcoming Budget of the Government of India were gaining ground at this juncture, with the result that the premium on April settlement increased to 11 annas. Owing to release of some cold storage silver on the market, stocks inflated to 8,500 bars, while the offtake was gradually declining and averaged 80 bars a day.

Premium on forward increases.

During the second week of February, the local market ruled steady and dull with narrow price changes, but the premium on April settlement widened further to 13 annas. Rumours regarding a change in the import duty on silver are an annual feature and the abnormal price spread between the pre-budget and post-budget deliveries has come to be a normal charactersitic of the silver market every year prior to the publication of the Central Government's Budget proposals. The Government have made such frequent changes in the duty on silver that the market is not entirely to blame for making conjectures. The spot price of silver at Rs.49-14 in the middle of February was about Rs.2 under import parity and thus discounted a reduction of about one anna in the existing import duty of three annas per one oz. fine silver.

Spot price under import parity.

Spot price advanced but market uncertain.

In the third week of February, no important changes occurred in the local silver market, but in the last week the market firmed up for spot to Rs.51-1-6 (25th) on bear-covering, the reason being a growing disbelief in a change in the import duty. The premium on April settlement dwindled to 4 annas. On the eve of the publication of the Government of India's Budget proposals, however, fears regarding a possible reduction in the import duty were renewed and there were few buyers of spot silver, the price declining to Rs.50-9 (25th). The quotation for post-budget delivery silver, on the other hand, was marked up to Rs.51-11-6, thus widening the difference to nearly one rupee.

Budget reveals no change.

Immediately on the publication of the Budget proposals which revealed no change in the duty on silver, the price of spot firmed up to Rs.51-3 (3rd), while April settlement was quoted at Rs.50-14. The price in London was practically unchanged at about 20-1/16*d.* for spot, two months' forward delivery being quoted 3/16*d.* under. Stocks in the local market amounted to 7,000 bars, with offtake averaging 100 bars a day.

Market remains quietly steady.

During the first three weeks of March, silver remained quite steady, spot price touching Rs.51–15 (19th). Profit-taking at this level caused the price to recede and thereafter it moved narrowly between Rs.51-4 and Rs.51-8. Prices in London moved sympathetically. Stocks were gradually depleting in absence of any fresh arrivals and were reduced to 5,500 bars towards the end of the month and the offtake averaged some 50 bars a day.

Stocks decrease.

Market becomes active.

The last week of March witnessed one of the active periods of trading with a downward tendency. Abrogation of the Mexico-American agreement regarding purchase of Mexican silver by the U. S. Treasury caused panic in all silver markets and there was a heavy spate of selling both in Bombay and London. The movement

was further accentuated by the reduction in the American Treasury's buying price for foreign silver from 45 cents to 43 cents. The price in the local market fell to Rs.47-12 (29th) and the quotation in London was down by 2*d.* to 18-3/8*d.* for spot (29th).

U. S. Treasury's foreign price reduced.

There was good general buying at lower levels in the local market with the result that the price shot up to Rs.49-5 (30th), but since the London market did not respond, the local price once again relapsed to Rs. 48-1-6.

Good buying at lower levels.

At this juncture it became known that the Mexican Government were minting about 50 million silver dollars and that there was a possibility of some settlement of the dispute between the American and the Mexican Governments. As a consequence, the spot price in Bombay improved to Rs.49-4-6 (31st), while the London quotation advanced from 18-3/8*d.* to 18-13/16*d.*

Mexican Government mints silver dollars.

At lower levels, the offtake of silver in the Bombay market increased to an average of 170 bars a day and the stocks were reduced to about 4,500 bars.

Offtake improves.

During the first half of April, price variations in the local market were comparatively small but the undertone was quite steady. The offtake continued to be good averaging about 200 bars a day, and stocks were down to 2,500 bars by mid-April. The quotation for spot ranged between Rs.48-8 and Rs.49 and was closer to import parity than it had been for some time past. It was believed that should the offtake continue at this pace, imports of silver would soon become necessary.

Prices move narrowly.

During the latter half, prices advanced further and spot silver was quoted at a premium of 4 annas over the next settlement (May). Lower stocks and good offtake accounted for the spot price touching Rs.50 (25th) and an additional factor was a press report to the effect that the Finance Minister of the Mexican Government was proceeding to Washington to negotiate resumption of the silver agreement. In the meantime, local stocks had declined further, being estimated at 1,500 bars in the third week of April, but at the higher level of prices, there was some reselling, causing stocks to swell to 4,000 bars at the end of the month.

Ready commands premium and prices improve.

Stocks replenished.

Silver ruled quite steady throughout May, due largely to a shortage of supplies in the local market, where the offtake revived and averaged 100 bars a day, whereas stocks remained fairly low at 2,500 bars. On the 24th of May, however, there was a momentary set-back following press reports that a U. S. Senator had introduced a joint resolution proposing the cessation of Treasury purchases of foreign mined silver after June 30, 1938. The local price declined to Rs.49-0-6 as a result, but as no notice was taken of this report either by the London market or by the Washington press, the price soon recovered to Rs.49-10-6. Spot silver commanded a premium of about 3 annas over June settlement owing to low stocks which were estimated at about 3,000 bars, having increased at the end of May by 1,500 bars on account of fresh arrivals from abroad.

Market uncertain.

Throughout June, the market ruled steady and the spot price ranged between Rs.49-8 and Rs.50 per 100 tolas. There was, however, no enthusiasm among speculators, who disregarded the statement of Mr. Morganthau in mid-June to the effect that the U. S. Treasury had renewed its silver purchase agreement with China as also press reports from Washington that the U. S. Government had agreed to purchase Spanish silver to the extent of 2 million dollars. Price movements were so narrow that speculators took very little interest in silver.

Tone becomes steadier.

Towards the end of June and in the first week of July, on the appreciation of the dollar in terms of sterling, the price of silver in London firmed up to over 19-1/4*d.* and the quotation in the local market advanced to Rs.50-11-6 (6th). During the second week of July, prices moved narrowly between Rs.50-6 and Rs.50-10, but in the last half of the month, there was a sharp rise both in London and in Bombay owing to bear-covering. The quotation for spot silver touched Rs.51-14-6 (25th), while the London spot rate advanced to 19-13/16*d.* Locally spot silver commanded a premium of about 2 annas over August settlement as stocks were still low at about 3,000 bars while offtake averaged some 50 bars a day.

Prices advance.

At the higher levels, good profit-taking ensued both locally and in London and the quotations declined to Rs.50-14-6- and 19-5/16*d.* respectively early in August. In the second week of August, the market firmed up a little following report of increased tension in the Far East. The local spot price advanced to Rs.51-8 and the quotation in London improved to 19-9/16*d.*

Profit-taking causes drop in prices.

Throughout August, silver remained fairly steady, the price ranging between Rs.50-12 and Rs.51-4 for 100 tolas. However, activity was once again at a low ebb, pending clarification of the European political situation which was reported to be rather grave. The offtake in the local market also declined to 20 bars a day and stocks were estimated at 2,500 bars.

Steady conditions prevail.

In the first week of September, rumours were current that the U. S. Treasury would not purchase Mexican mined silver owing to the attitude taken by the Mexican Government towards American representations for compensation to American citizens whose property in Mexico had been expropriated by the Mexican Government. This caused a sharp decline in the price of silver from Rs.50-12 to Rs.49-14 (5th), while the quotation in London dropped by 3/16*d.* to 19-1/16*d.* for spot.

Rumours re: U. S. Treasury's action in connection with Mexicansilver.

Political tension in Europe, however, had reached a critical stage at this juncture and there was a tendency in India to acquire silver both for speculation and hoarding. Accordingly, the price in the local market advanced to Rs.52-8 (14th) and sympathetically in London to 19-11/16*d.* for spot. The increase in war risk insurance rates coupled with the weak rupee/sterling exchange gave further impetus to silver in the local market. But at the higher levels, profit-taking ensued and since European political news was more encouraging, prices fell sharply. Ready silver declined to Rs.50-14 in the local market, while London spot price declined to 19-1/4*d.*

European political situation causes prices to advance.

Prices react on profit-taking.

By the middle of September, European political situation became the dominating factor in the silver market and price movements depended on whether the news was good or bad. The price variations accordingly were erratic in the last week of September, which was the critical week in European politics. The highest rate touched during this period was Rs.52-15-6 (28th) and the lowest was Rs.50-12-6 (30th). During the second half of September, the turnover in the local market was large. In London, after touching 19-7/16d. the spot price declined to 18-3/4*d.* but recovered again to 19-5/16*d.* at the end of the month. The offtake in the local market averaged at about 25 bars a day and stocks aggregated 3,700 bars at the end of September.

European politics dominate the market.

Offtake dwindles.

During October and the first half of November, trading in silver became narrow once again and price movements were comparatively small. The local spot price ranged between Rs.50-8 and Rs.51. The spot price in London was a little steadier at about 20*d.* owing to shortage of ready supplies and two months' forward stood at a discount of 3/8*d.* per oz.

Trading restricted.

After mid-November, the local price improved to Rs.51-4(17th) on firmer advices from London, where the premium on spot widened to as much as 1/2*d.* (22nd) owing to shortage of supplies. In the last week of November, the price of spot silver in London improved to 20-1/4*d.* with the result that the quotation in Bombay for ready advanced to Rs. 51-8-6 (23rd). The offtake in the local market was, however, dwindling and averaged only 15 bars a day, while stocks aggregated 3,300 bars.

Prices improve.

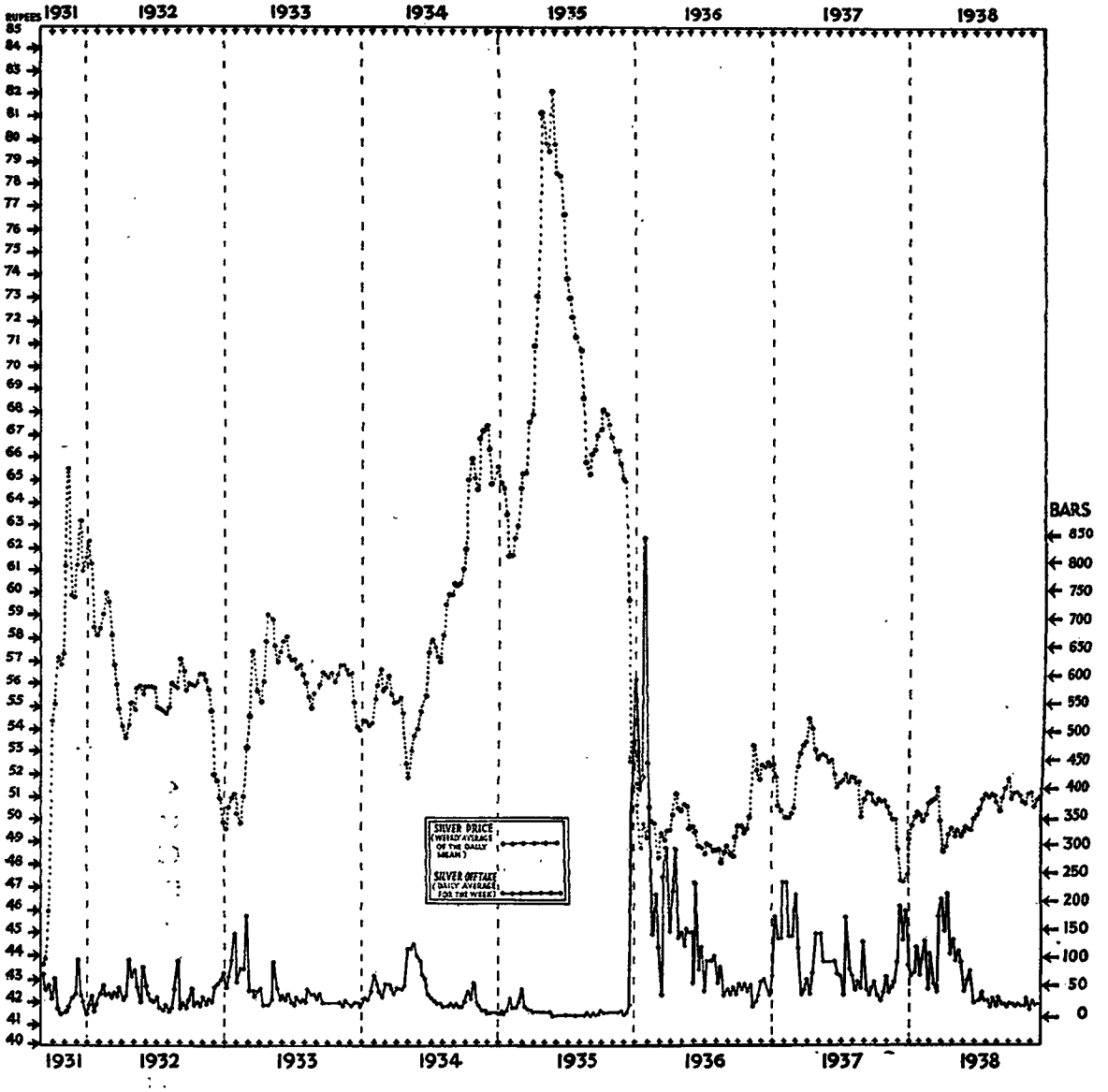
Throughout December the silver market remained heistant pending announcement by the U.S. Treasury of its price for purchasing newly mined American silver during 1939. Varying rumours emanated in this connection, the first one coming from New York early in the month to the effect that domestic producers expected the Treasury to reduce the domestic price to 50 cents as against the existing level of 64·64 cents and that the world price would be lowered by 8 cents to 35 cents. Although the Bombay market was officially closed on the day on which this rumour reached India, small business was reported around Rs.49-12 in the local market. The next day in an open market, since no credence was attached to the rumour in London and Washington, the price recovered sharply to Rs.51-1 (8th). The quotation in London veered around 20*d.* for spot.

Market hesitant.

There was practically no change in rates during the latter part of the month, spot quotation ranging between Rs.51 and Rs.51-4. The price in London was also almost unchanged at 20*d.* but the discount on two months' forward delivery declined from the high level of 3/4*d.* to 3/8*d.* at the end of the year. Stocks at the close amounted to 2,000 bars and the offtake ranged between 25 and 20 bars a day.

Small movements.

SILVER.


RUPEES
1931
1932
1933
1934
1935
1936
1937
1938
BARS
SILVER PRICE
(WEEKLY AVERAGE OF THE DAILY MEAN)
SILVER OFFTAKE
(DAILY AVERAGE FOR THE WEEK)

SHARES.

Share market opens quiet. The share market had closed for the Christmas of 1937 on an easy note and reopened in the new year after a long vacation in a similar mood.

Distress selling in evidence: prices decline. Some distress selling was in evidence at the opening and there was a sharp break in prices particularly of Steel shares. Tata Iron & Steel Ordinaries declined from the previous close of Rs.275 to Rs.247 and Deferreds from Rs.1,235 to Rs.1,060. Cotton mill shares declined in sympathy, Bombay Dyeings to Rs.930 from Rs.950, Centuries to Rs.225 from Rs.233-12 and Kohinoors to Rs.342-8 from Rs.348-2. Lower levels attracted bear-covering and fresh bull support in some sections with the result that prices staged a good recovery. Steel Ordinaries advanced to Rs.262-8 (5th), a gain of 15 points, while Deferreds moved up from Rs.1,060 to Rs.1,145. Cotton textiles acted sympathetically; Bombay Dyeings improved to Rs.960, Centuries to Rs.240 and Kohinoors to Rs.347-8.

Bear-covering at lower levels: prices improve somewhat.

The Hydro-electric group of shares also opened easy, Andhra Valleys declining from Rs.1,507-8 to Rs.1,475 (4th), Tata Powers from Rs.1,425 to Rs.1,405. Bombay Trams, on the other hand, opened slightly better at Rs.120. The Bank shares opened quite steady, Imperial Bank Fully Paids gaining 10 points at Rs.1,592-8.

Sharp setback in miscellaneous section. In the miscellaneous group, Bombay Burmas suffered a sharp setback in sympathy with steel section, declining to Rs.605 (4th), but recovered shortly to Rs.626-4 (5th). Belapurs likewise, after falling to Rs.158-12 from Rs.170-10, improved to Rs.163-12 (5th). Associated Cements, on the other hand, were maintained around Rs.141-8 and Scindia Steams moved between Rs.21-12 and Rs.22-2.

Tata Iron and Steel Company reduced prices of its products. In the second week of January, the Tata Iron & Steel Company announced an alround reduction in prices of their products which caused considerable nervousness among operators and although on the day immediately following the announcement of price reductions the market was officially closed for settlement of monthly accounts, large scale liquidation was reported on the curb market.

Large scale liquidation. Business in Deferreds was reported at as low as Rs.1,050 and in Ordinaries at Rs.248. Operators now began to view the future prospects of the Tata Iron & Steel Company with some concern and there was lack of confidence followed by considerable distress selling.

Monthly settlement difficulty and sharp fall in prices. In view of the sharp fall in prices, doubts were entertained in some quarters about the monthly accounts being smoothly settled, but the settlement, difficult as it was, was successfully negotiated by the market and there was only one minor failure among the members. This, however, did not allay the apprehensions of operators and the market reopened after a week's recess in a despondent mood. Prices were marked down sharply from the official closing, Deferreds losing from Rs. 1,232-8 to Rs.950 (22nd) and

Ordinaries from Rs.277-8 to Rs.230. Bombay Burmas once again declined to Rs.601 and all Hydro-electrics were weak. Tata Powers fell from Rs.1,445 to Rs.1,310 despite improved earnings of the Company. In the miscellaneous section, Associated Cements dropped from Rs.142-8 to Rs.129-8, carrying in this price a dividend of Rs.7-8 payable shortly. Cotton mill shares were the only steady group, Bombay Dyeings improving to Rs.1,013-12, Centuries to Rs.275 and Kohinoors to Rs.363-12.

Hydro-electrics decline.

The panic in the local market continued throughout the third week of January and prices were further hammered in all sections. With a view to prevent a crisis, which looked almost imminent, the Stock Exchange Authorities decided to close the market for forward dealings forthwith (24th Jan.) and to consider what action could be taken to save the market from a collapse. The Board of Directors of the Exchange decided to carry forward the outstanding transactions to the next settlement on the basis of 6 per cent. per annum interest and to keep the forward market closed until accounts in connection with February settlement were squared.

Panicky conditions continue: forward market closed.

When the market was closed, Tata Steel Deferreds had declined to Rs.920 and Ordinaries to Rs.228. Mill shares although relatively steady also suffered, Bombay Dyeings dropping to Rs.952-8, Centuries to Rs.240 and Kohinoors to Rs.340. Among Hydro-electrics, Tata Powers dropped further to Rs.1,310 and Andhra Valleys to Rs.1,420. Bombay Trams fell to Rs.117-13.

Prices decline sharply alround.

Bank shares were also easier, Imperial Bank Fully Paids declining from Rs.1,605 to Rs.1,567-8 and Reserve Banks from Rs.125 to Rs.123. In the miscellaneous section, Belapurs declined to Rs.156, Bombay Burmas to Rs.595 and Scindia Steams to Rs.20.

While the forward market remained entirely closed, dealings in the cash section were negligible. Bank shares were steady, Imperial Bank Fully Paids improving to Rs.1,580 (10th). Bank of India shares were quoted at Rs.149-4 and those of the Central Bank at Rs.32-6.

Forward scrips permitted for cash dealings.

The Board of Directors of the Stock Exchange decided at their meeting to allow trading in cash in the following forward scrips from 9th February :—

1. Mysore Spinning.
2. Bombay Trams.
3. Shivrajpur.
4. Premier Construction.
5. Bombay Telephone.
6. Tata Hydro.
7. Indian Bleaching.
8. Phœnix Mills.

The interference by the Stock Exchange Authorities in the course of trading of the market was resented in some quarters and the powers exercised by the Board were considered as extraordinary and were regarded as *ultra vires* the spirit, if not the letter, of the Bombay Securities Contracts

Control Act of 1925. The Board's resolution authorising cash dealings in only eight out of twenty-six scrips on the forward list, thus disallowing even cash dealings in a majority of the scrips on the forward list, was regarded as definitely *ultra vires* the spirit of the Act, on the ground that the rules of the Association are framed with a view to regulate forward trading, and any interference with trading for cash was unwarranted.

New stock exchange opened.

The opening of a second Stock Exchange in Bombay at this juncture was a good eye-opener to the authorities of the old Stock Exchange. The fact that a second institution was found necessary in the same city for dealings in securities by some sections of the business community in Bombay indicated that there was considerable room for improvement in the constitution and practice of the older Association. Following the example of some commodity markets in the city, the Indian Stock Exchange Limited, a registered company limited by guarantee, commenced business in Bombay on the 9th of February for transacting business in stocks, shares, bonds and like securities for ready delivery. The institution having confined its activities to ready delivery contracts only was not required to take the permission to do business of the Government of Bombay under Securities Contracts Control Act of 1925.

Further scrips permitted for cash dealings.

In the third week of February, additional eight scrips from the forward list were permitted to cash dealings. Throughout this period, the cash section ruled quite steady, particularly the shares of public utility concerns, which improved following rumours of resignations by the Congress Ministries of various Provinces, who had declared that it was their intention to tax public utilities in order to benefit the Government purse. Bombay Trams advanced to Rs.120 and Tata Hydros gained five points to Rs.153-12. Bank and other shares were fully maintained.

Interim Report of Bombay Textile Inquiry Committee published.

While the market still remained closed to forward dealings the interim report of the Bombay Textile Labour Inquiry Committee was submitted to the Government of Bombay on the 15th of February. A sliding scale of increase in wages was proposed, the lower classes coming in for greater increase. Labourers earning between Rs.13-8 and Rs.75 a month were recommended for the increase, no increase being recommended in the case of earnings exceeding Rs.75 a month. The Government of Bombay accepted the findings of the Committee and recommended to the millowners of the Presidency to put them into effect from the month of February.

Cotton mill shares ease.

Cotton mill shares as a consequence were easier. Furthermore, the dividend declarations of some of the cotton mills were far below the market expectations and this caused liquidation in this group with few buyers. Colaba were offered at Rs.182-8 (22nd), Gokaks at Rs.170 and Kohinoors at Rs.320 as compared with Rs.222-8, Rs.180 and Rs.343-2 respectively before the closing of the forward market in late January.

Forward trading resumed.

The stock market resumed forward trading on March 3rd after a lapse of over six weeks. The opening was steady on scattered buying, but weak holders were anxious to liquidate with the result that prices gave way under selling pressure There was a general decline in rates, cotton mill section suffering rather severely. Bombay

Dyeing were done down to Rs.860 (4th), Centuries to Rs.213-12 and Kohinoors to Rs.307-8. Colaba Lands dropped further to Rs.156-4. Tata Iron Steel Ordinaries dropped to Rs.216 and Deferreds to Rs.875.

General decline in rates.

Hydro-electric shares, which had kept steady for the past few weeks, suffered a sharp setback following an announcement by the Government of Bombay regarding the appointment of an Inquiry Committee to fix maxima rates for the supply of electrical energy. Bombay Trams fell from Rs.120 to Rs.111-9 and Tata Hydros dropped from Rs.153-12 to Rs.148-12. Tata Powers, on the other hand, were well maintained around Rs. 1,330 on better earning figures.

Hydro-electrics fall sharply.

By the second week of March, weak holders had practically liquidated all their commitments owing to the imposition of restrictions by the Stock Exchange Authorities on their members for forward trading. The volume of business fell considerably and business was largely of an investment character.

Weak holders shaken out: market tone better.

However, Steel shares soon became a favourite counter and in the third week of March, Ordinaries rose to Rs.265-8 (17th) and Deferreds to Rs.1,200 (19th). Among cotton mills, Bombay Dyeings advanced by over 65 points to Rs.953-12, while Centuries improved from Rs.220 to Rs.278-12. Kohinoors were in good demand, rising from Rs.316-4 to Rs.341-4.

Steel shares in limelight once again.

Hydro-electric shares, after the experience of an initial shock following the appointment of an Inquiry Committee, recovered, Bombay Trams rising to Rs.120 (9th), Tata Powers improving consistently from Rs.1,335 to Rs.1,425, Andhra Valleys touching Rs.1,490 (11th) and Tata Hydros gaining from Rs.148-12 to Rs.155. In the miscellaneous group, Bombay Burmas gained nearly 50 points at Rs.655 and Associated Cements improved to Rs.138-8.

Hydro-electrics improve.

In the latter half of March, the market developed weakness owing partly to lack of fresh business and partly to discouraging advices from foreign markets. Prices gave way in all sections but steels were the worst sufferers. Tata Deferreds declined from Rs.1,200 to Rs.925 and Ordinaries from from Rs.265-8 to Rs.218 (30th). Cotton mill shares declined on rumours that the Government of India may reduce the protective tariff on cotton textiles in favour of Lancashire products. Bombay Dyeings fell to Rs.840, Centuries to Rs.240 and Kohinoors to Rs.272-8.

Market develops weakness again: prices decline in all sections.

Hydro-electric shares were easy in the absence of buying inquiry pending the report of the Government Inquiry Committee. Andhra Valleys declined to Rs.1,385 (30th), Tata Powers to Rs.1,320 and Tata Hydros to Rs.143-12. Bombay Trams, on the other hand, were in good demand and the price advanced to Rs. 126-14.

Hydro-electrics easier.

Bank shares were easier, Imperial Bank Fully Paids declining to Rs.1,550 and Reserve Banks to Rs.115-12. Among the miscellaneous section, Associated Cements declined further to Rs.116 and Bombay Burmas weakened to Rs.552-8.

Bank shares decline.

Throughout April, the local stock market remained fairly steady, but an easier tone was manifest towards the close. The turnover was moderate. Tata Deferreds, which had been maintained around Rs.1,000, declined to Rs.905 (26th) and Ordinaries from Rs.231-8 to Rs.215. Cotton mill shares fell in sympathy, Bombay Dyeings to Rs.790, Centuries to Rs.208-12 and Kohinoors to Rs.242-8. In the miscellaneous section, Bombay Burmas fell to Rs.505 and Belapurs to Rs.137-8. Scindia Steams were weak at Rs.17-13.

Market rules steady.

During the first half of May, the market maintained a steady tone with narrow day-to-day fluctuations. Speculative interest, however, was waning and business was largely of a professional character. Towards the latter part of the month, the market became erratic following discouraging advices from outside markets where prices declined heavily. Values of steel shares collapsed to Rs.795 (25th) for Deferreds and Rs.198 for Ordinaries. All other shares declined in sympathy; Bombay Dyeings to Rs.762-8, Centuries to Rs.216-4 and Kohinoors to Rs.238-12. In the miscellaneous section, Bombay Burmas fell to Rs.460 and Belapurs to Rs.138-12. Bank and Railway shares, on the other hand, were well maintained. Imperial Bank Fully Paids kept steady around Rs.1,550 and Partly Paids around Rs.387-8. Reserve Banks were steady at Rs.117.

Steady tone maintained.

Market becomes erratic.

In the beginning of June, it was reported that the expected dividends on Tata Iron and Steel shares were likely to be higher than generally expected. This gave a fresh impetus to the market and under the lead of the steel group, all other scrips made a good recovery. Tata Deferreds advanced from Rs.795 to Rs.972-8 and Ordinaries from Rs.198 to Rs.232 (2nd). Bombay Dyeings touched Rs.815, Centuries Rs.248-12 and Kohinoors Rs.264-6. Miscellaneous shares also improved; Bombay Burmas to Rs.491-4, Belapurs to Rs.149-6 and Associated Cements to Rs.122. Hydro-electric, Bank and Railway shares were well maintained at the previous levels.

Prices advance on expectations of better dividend on Tata Steel shares.

The dividends on the Tata Iron and Steel shares were declared in the second week of June (Rs.15-8 on Ordinaries and Rs.75-11-3 on Deferreds). This gave a temporary fillip to the market and Tata Deferreds moved up to Rs.1,030 and Ordinaries to Rs.232 (7th), but profit-taking at higher levels quickly wiped off the gains, Deferreds declining to Rs.835 (17th) and Ordinaries to Rs.201. Similar movements were discernible in all other sections. Bombay Dyeings, after touching Rs.832-8, dropped to Rs.765; Centuries fell from Rs.240 to Rs.228-12 and Kohinoors from Rs.273-12 to Rs.247-8. In the miscellaneous section, Associated Cements fell from Rs.119 to Rs.109 and Bombay Burmas from Rs.496-4 to Rs.446-4. Hydro-electrics and Bank shares, on the other hand, were practically unchanged.

Dividends declared: market gets temporary fillip.

Sympathetic rise all round.

Foreign share markets, particularly London and New York, were showing signs of regaining confidence at this juncture and following in their wake, the local share market also developed a steady undertone. Operators looked more cheerful and prices showed steady improvement with a comparatively large turnover. In the first week of July, there was a sharp rally in prices, Tata Iron and Steel Ordinaries advancing from Rs.215 to Rs.257, while Deferreds recorded a rise of over 200 points at Rs.1,172 (8th). Bombay

Foreign markets also improve.

Dyeings gained from Rs.765 to Rs.878, Centuries from Rs.230 to Rs.274 and Kohinoors from Rs.248-12 to Rs.291. Hydro-electrics also firmed up partly on the reovery in other sections and partly in sympathy with gilt-edged. Andhra Valleys rose from about Rs.1,400 to Rs.1,502-8 and Tata Powers from about Rs.1,350 to Rs.1,440. Tata Hydros gained from Rs.153 to Rs.165, whereas Bombay Trams kept steady around Rs.125. In the miscellaneous section, Associated Cements were weak on reported drop in cement prices due to competition from new units in the industry and the quotation dropped from Rs.117 to Rs. 105-8. Other scrips, however, were firm, Belapurs advancing from Rs.143 to Rs.165 and Bombay Burmas from Rs.460 to Rs.543. Scindia Steams moved up from Rs.18 to 21. Bank and Railway shares were steady at the previous levels.

Associated cements drop.

After the sharp rise in the first week of July, operators were inclined to consolidate their positions. The turnover declined and prices receded on profit-taking sales. Tata Iron and Steel Deferreds declined to Rs.1,080 and Ordinaries to Rs.241-8 (12th) but recovered immediately to Rs.1,170 and Rs.257 respectively. Bombay Dyeings declined by 37 points to Rs.841, but improved to Rs.867, while Centuries declined from Rs.275 to Rs.260. In the miscellaneous section, Associated Cements continued to be weak and moved between Rs.105 and Rs.112. Bombay Burmas declined from Rs.543 to Rs.525, while Balapurs were steady around Rs.165. Hydro-electric shares and bank shares showed no important changes.

Market forming a base.

The fall in the second week of July proved to be in the nature of a reaction and prices advanced sharply in the latter half of July. The rise was maintained during the first half of August. The turnover increased considerably during this period and a fresh wave of buying set in following firmer advices from outside markets which in turn were reacting favourably to better European political news. Steel shares gained the most, Tata Deferreds rising to Rs.1,390 and Ordinaries to Rs.289-8 (11th). Price movements in the cotton mill section were similar, Bombay Dyeings rising to Rs.960 (3rd), Centuries to Rs.314 and Kohinoors to Rs.308. Hydro-electric shares, on the other hand, witnessed an initial fall. Andhra Valleys declined by 50 points to Rs.1,420 and Tata Powers dropped from Rs.1,380 to Rs.1,330, but recovered to Rs.1,490 and Rs.1,410 respectively. Bombay Trams, after declining to Rs.114, improved to Rs.119 and Tata Hydros likewise, after dropping to Rs.149-8, recovered to Rs.158. In the miscellaneous section, Associated Cements were comparatively steady and improved to Rs.119-8 and Bombay Burmas advanced to Rs.562. Belapurs advanced sharply from Rs.163 to Rs.182. Bank shares were well maintained.

Market becomes active.

Hydro-electrics decline.

In the latter part of August, price movements were narrow and the volume of business restricted. Prices declined more due to an absence of buyers rather than pressure to sell. Towards the end of August, however, renewed fears of a war in central Europe caused a buoyant feeling on the stock market and steel shares advanced sharply, Tata Iron Ordinaries touched nearly Rs.300, while Deferreds advanced to Rs.1,450. Bears were anxious to cover and bull operators were creating fresh long positions. There was a corresponding rise in other sections, but the turnover in cotton mill section was comparatively small, operators preferring to hold back pending the official

Price movements narrow.

Market becomes buoyant.

outcome of the Indo-British Trade talks. In the miscellaneous section, Associated Cements weakened to Rs.105 on reports of further price cuts owing to intense competition. Belapurs, on the other hand, gradually improved to Rs.185.

European situation becomes grave: hesitant tone in share market.

The European political situation became very grave in the beginning of September and the stock market took a bearish view of the situation on this occasion as it was realised that the war, if it came, would not exclude India. Foreign markets were equally susceptible to this factor and Wall Street showed signs of sagging. The local market also weakened and steel shares suffered the most. The desire to keep funds liquid brought many selling orders on the market and prices declined around.

Situation becomes tense

By the third week of September, the situation was so tense that a war seemed well within sight and prices broke sharply. Tata Deferreds declined from Rs.1,475 to Rs.1,310 (17th) and Ordinaries from Rs.300 to Rs.272. Cotton mill shares, however, were not much affected and prices were almost unchanged. Hydro-electric and bank shares all declined in sympathy with *gilt*-edged securities which were weak. Bombay Trams declined to Rs.114-8, Bank of Indias to Rs.138 and Imperial Bank Fully Paids to Rs.1,530. Among miscellaneous shares, Associated Cements improved on bear-covering to Rs.112-4 and Belapurs were firm at Rs.190 on an improvement in the price for sugar.

Hydro-electrics decline.

Situation eases: prices recover.

The intervention of the British Premier on September 16th saved the situation and it looked as though the worst was over. Prices of all stocks recovered, Deferreds moved back to Rs.1,445 and Ordinaries to Rs.296 (22nd). Expectations of a peaceful solution, however, were not realised owing to the uncompromising attitude of Germany and prices broke once again, Tata Deferreds touching Rs.1,225 and Ordinaries Rs.255 (28th). This time cotton mill shares also fell in sympathy; Bombay Dyeings declined to Rs.845, Centuries to Rs.265 and Kohinoors to Rs.260. Bank, Insurance and Hydro-electric shares all dropped. Bank of Indias declined to Rs.135 and Imperial Bank Fully Paids to Rs.1,490. New India Assurance shares fell from Rs.38 to Rs.34 and those of the Oriental Life from Rs.4,500 to Rs.3,800. Tata Powers fell by over 50 points to Rs.1,285 and Andhra Valleys lost over 100 points at Rs.1,340*xd*. In the miscellaneous group, Bombay Burmas fell from Rs.521 to Rs.460 and Belapurs from Rs.190 to Rs.176.

Rise proves temporary: prices decline sharply in all sections.

Last minute effort of British Premier prevents the crisis.

The last minute success of the British Premier in saving Europe from a major conflict and the announcement of a four power agreement which satisfied all German demand, led to a general return of confidence and it appeared that Europe would be in peace for some time at least. All markets reacted sharply to the good news and prices moved up rapidly. In the local share market, steel shares were in the forefront, as it became apparent that a policy of aggressive rearmament would be followed by all nations to strengthen their defences. This made the future of the steel industry particularly look bright.

Price movements erratic.

Early in October, price movements were erratic, higher levels bringing out several profit-takers on the market. But from the middle of October, an upward trend was noticeable and an alround improvement was looked for. In the third week of the month, Tata Deferreds touched Rs.1,425 and Ordinaries Rs.296 (20th). Cotton mill shares moved comparatively slow; Bombay Dyeings improved to Rs.877-8, Centuries to Rs.271-8 and Kohinoors to Rs.270. Hydro-electric and Bank shares all improved; Andhra Valleys were quoted at Rs.1,405 and Tata Powers at Rs.1,310. Bank of India shares advanced to Rs.145 and those of the Imperial Bank to Rs.1,557-8 for Fully Paids. In the miscellaneous group, Associated Cements were steady around Rs.113-8; Belapurs advanced to Rs.188 and Bombay Burmas to Rs.515.

Prices improve.

The following two weeks were dull in the local stock market, operators awaiting further clarification of the European situation. In the second week of November, however, a strong buying wave was in evidence under the influence of firm Wall Street, where a bright sentiment prevailed after the election results. Tata Deferreds gained 120 points at Rs.1,542-8 and Ordinaries recorded a gain of 22 points at Rs.322 (10th). In the cotton mill group, Bombay Dyeings advanced to Rs.920, Centuries to Rs.276 and Kohinoors to Rs.279. In the Hydro-electric group, appreciable price gains occurred. Andhra Valleys advanced to Rs.1,450, Tata Hydros to Rs.159 and Tata Powers to Rs.1,350, whereas Bombay Trams were quite steady around Rs.124. In the miscellaneous group, Associated Cements were somewhat erratic, moving between Rs.109-4 and Rs.115, but Bombay Burmas were firm at Rs.542-8 and Belapurs around Rs.190.

Appreciable gains in hydro-electrics.

Healthy tone on stock exchange.

During the remainder of November, the market maintained a healthy tone and prices on the whole moved upward with intermittent reactions. The cotton mill section, however, was dull and somwhat quieter on reports of large accumulation of stocks of piecegoods in the domestic markets and on the reported closing of night shift of work by some of the mills in Bombay and Ahmedabad.

Political situation deteriorates again.

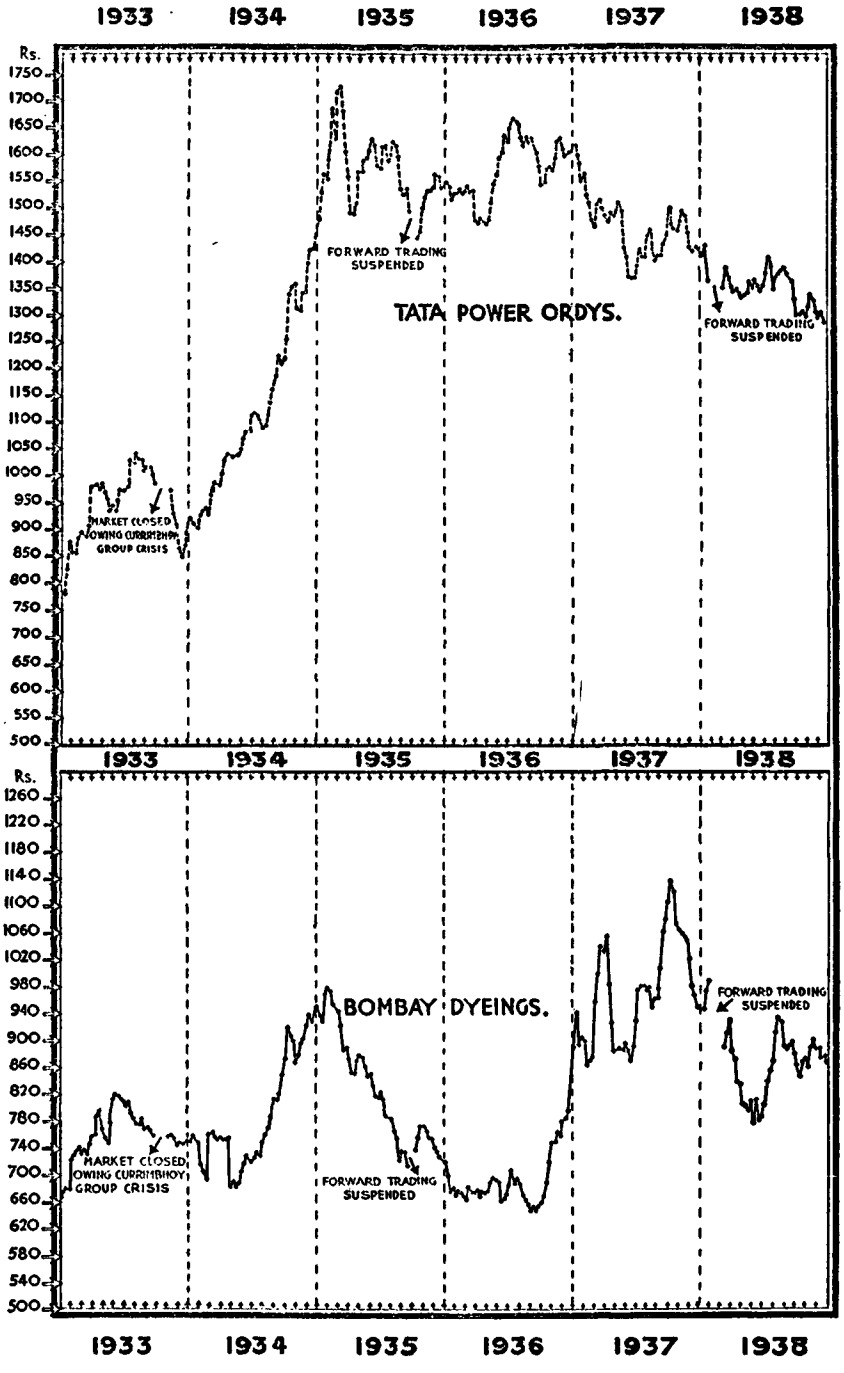
By December, the political situation in Europe was once again causing anxiety and this checked the rise in the stock prices. In fact, operators were trying to lighten their commitments and every rise met with considerable liquidation, but bear sales were almost absent. Throughout December, prices moved gradually downward, but the market finished on quite a steady tone. Tata Deferreds, after declining to Rs.1,465 finished at Rs.1,516-4, while Ordinaries, after touching Rs.304, recovered at the end to Rs.315-8. Among cotton mills, Bombay Dyeings, after declining to Rs.860, closed at Rs.875, while Centuries touched Rs.232-8 and Kohinoors Rs.252-8, but finished better at Rs.239-8 and Rs.259 respectively.

Hydro-electrics easy.

Hydro-electric shares were easy at the finish on rumours that fresh taxation in connection with Public Utilities was imminent. Bombay Trams declined from Rs.123-12 to Rs.118-8 at the close. Tata Hydros closed at Rs.152, Tata Powers at Rs.1,275 and Andhra Valleys at Rs.1,407-8. Bank shares were remarkably steady, Bank of Indias closing at Rs.148-8 and Imperial Banks Fully Paids at Rs.1,572-8.

In the miscellaneous section, Associated Cements were steady at Rs.110-4. Bombay Burmas were quoted at Rs.493xd and Belapurs at Rs.181xd.

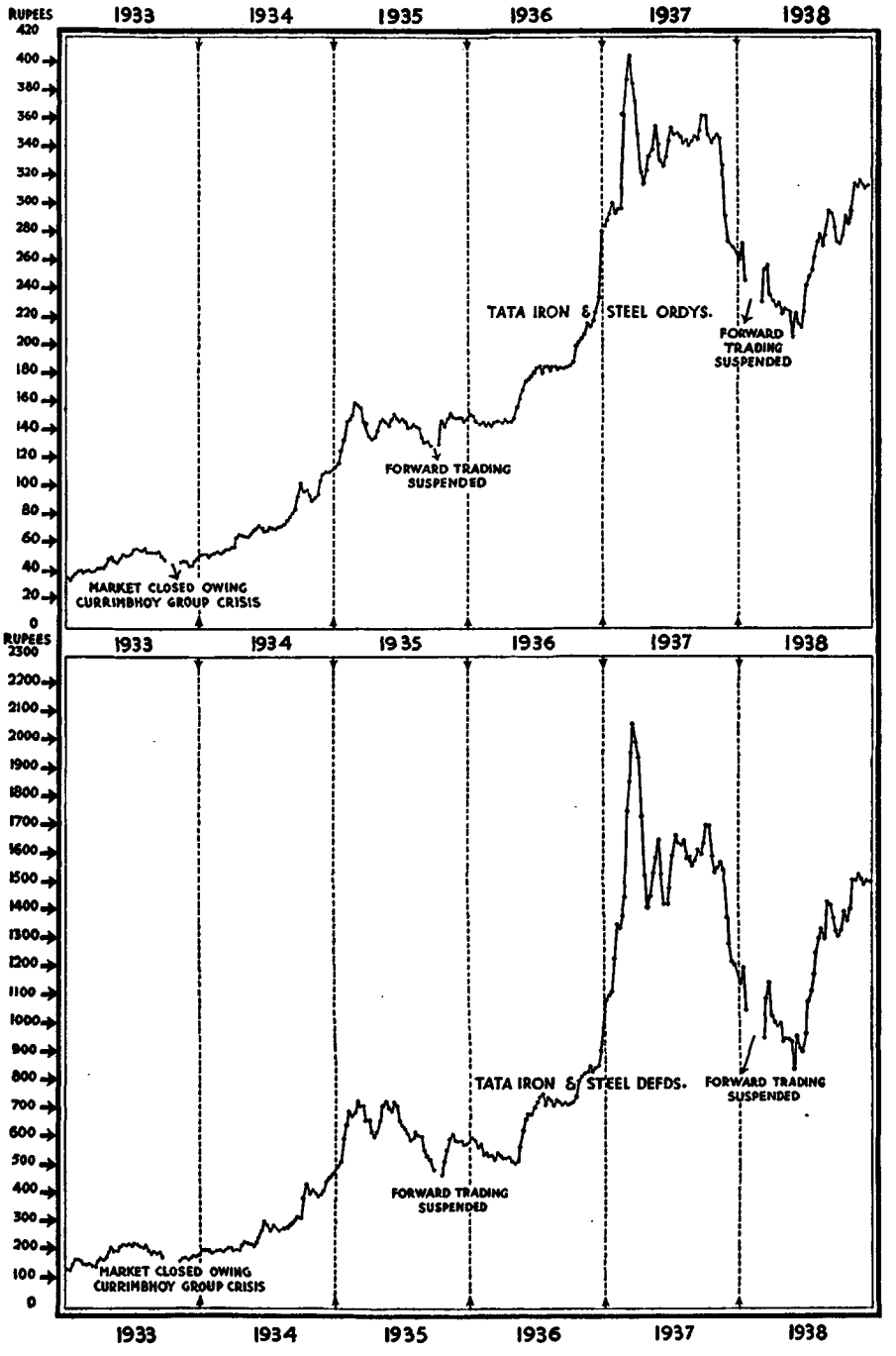
SHARES.



N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.

Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1933 (Currimbhoy group crisis), between September 15 and October 14, 1934 and between January 24 and March 3, 1938.

SHARES.



N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of scrip.

Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1933 (Currimbhoy group crisis), between September 15 and October 14, 1935 and between January 24 and March 3, 1938.

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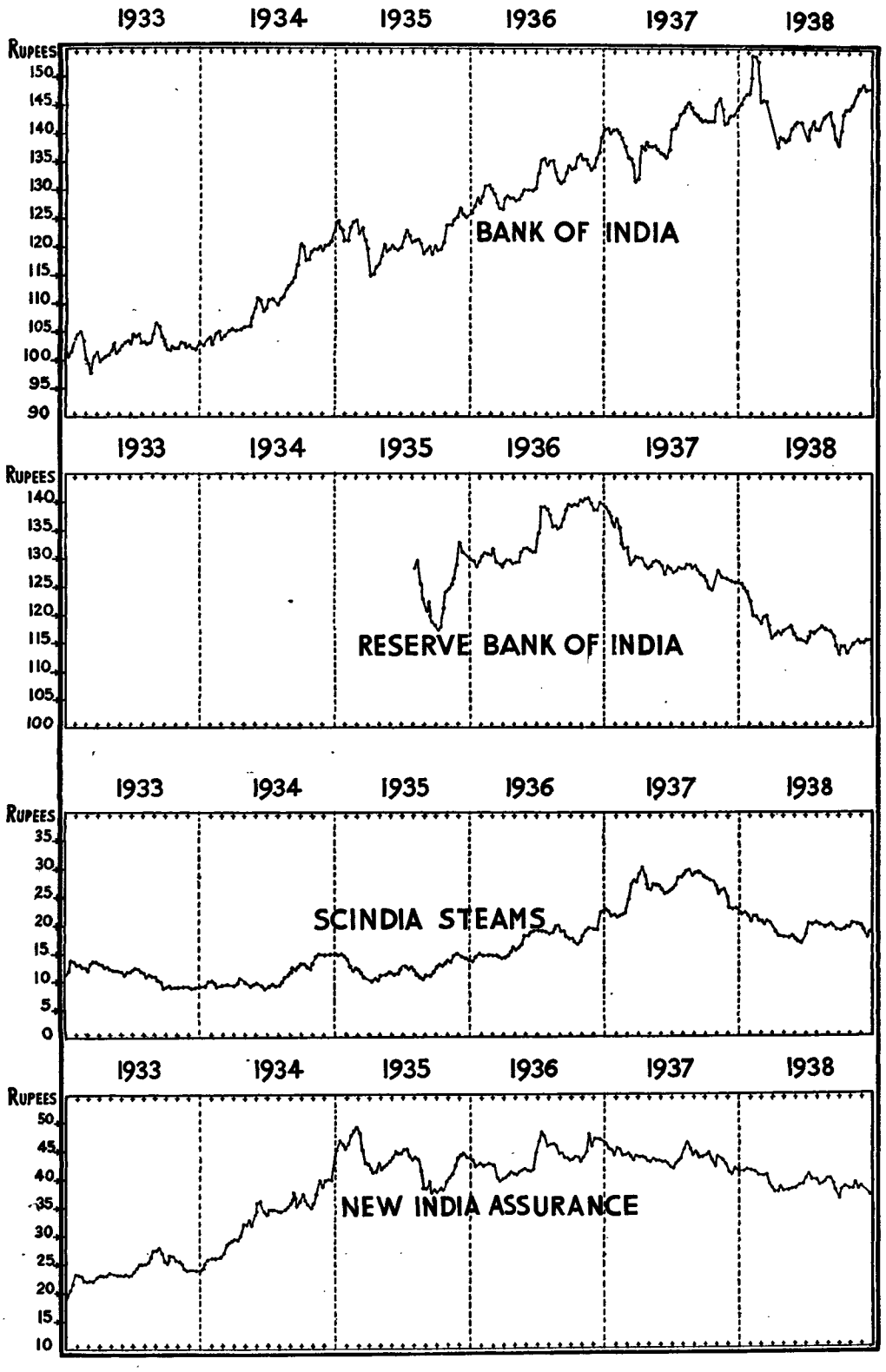
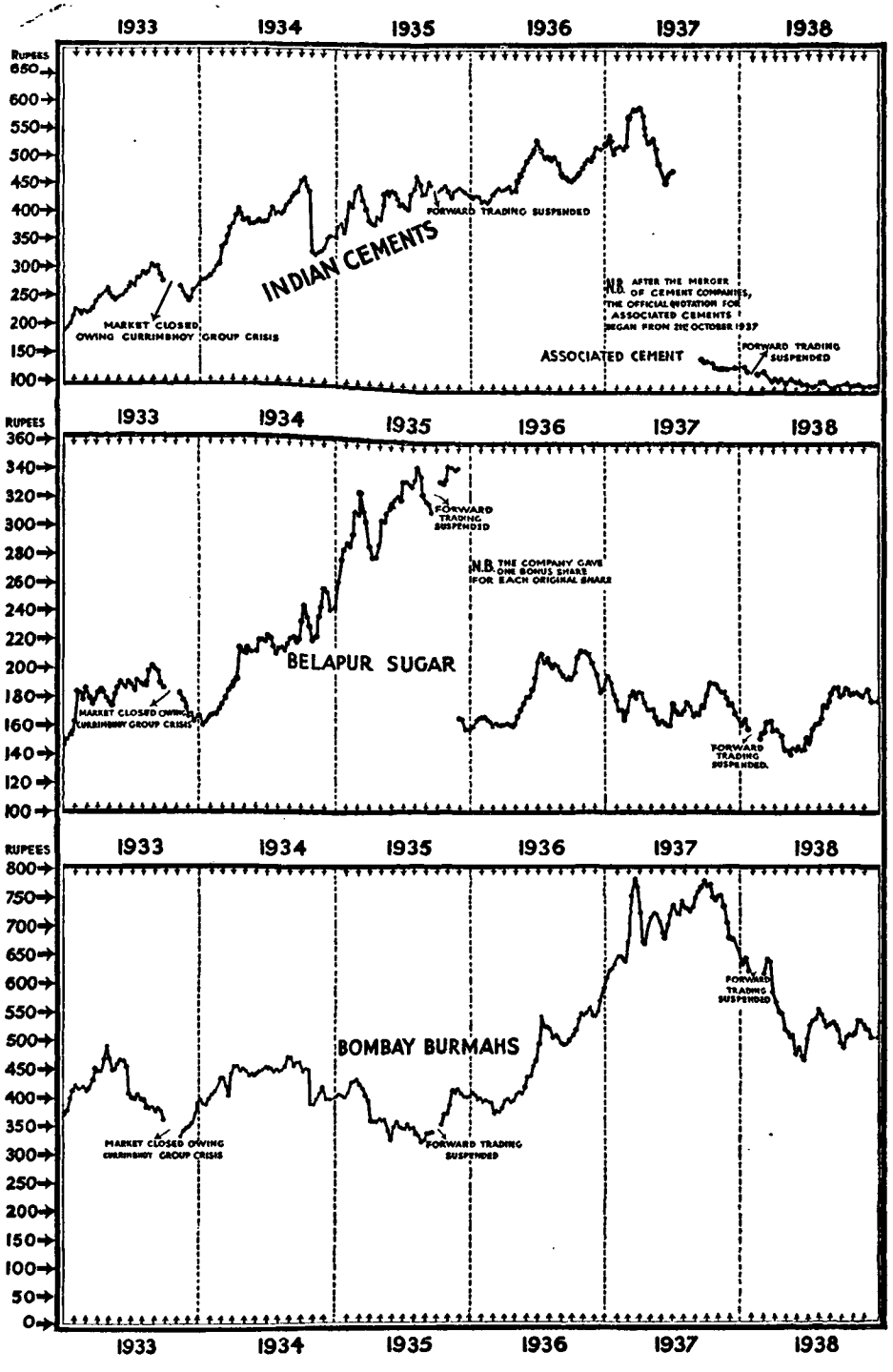


N.N.—In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.

SHARES.



N. B.—(1) Belapur Company's shares were quoted on the official cash list from December 1, 1932 and on the forward list from September 1933.

(2) Trading in scrips quoted on the forward list was supended between September 25, and November 11, 1933 (Currimbhoy group crisis), between September 15 and October 14, 1935 and between January 24 and March 3, 1938.

In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.

STATISTICS.

EXCHANGE VARIATIONS IN 1938.

Highest and lowest market selling quotations of Spot T.T. on London.

Months.	Highest.	Lowest.	Average.
January ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
February ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
March ..	1s. 6-3/32d. ..	1s. 6-3/32d. ..	18·09375d.
April ..	1s. 6-3/32d. ..	1s. 5-13/16d. ..	18·00850d.
May ..	1s. 5-15/16d. ..	1s. 5-13/16d. ..	17·85987d.
June ..	1s. 5-25/32d. ..	1s. 5-3/4d. ..	17·77214d.
July ..	1s. 5-29/32d. ..	1s. 5-51/64d. ..	17·88450d.
August ..	1s. 5-59/64d. ..	1s. 5-13/16d. ..	17·87500d.
September ..	1s. 5-15/16d. ..	1s. 5-13/16d. ..	17·88737d.
October ..	1s. 5-29/32d. ..	1s. 5-57/64d. ..	17·90557d.
November ..	1s. 5-29/32d. ..	1s. 5-57/64d. ..	17·90500d.
December ..	1s. 5-29/32d. ..	1s. 5-57/64d. ..	17·90500d.
		Average for the year ..	17·94035d.

GOVERNMENT STERLING REMITTANCES, 1938.

Week ending.	Purchases of Sterling in India by tender and on tap.						Total Amount remitted.	Total.
	Amount of tenders.	Amount of tenders accepted.	Rate.	% of allotment.	Amount of purchases on tap.	Rate.		
	£	£			£		£	£
7-1-38	270,000	270,000	1/6-1/8	..	..	..	270,000	....
14-1-38	1,083,000	1,000,000	„	92%	..	..	1,000,000	....
21-1-38	1,605,000	1,000,000	„	62%	..	..	1,000,000	....
28-1-38	3,825,000	1,000,000	„	26%	..	..	1,000,000	3,270,000
4-2-38	24,315,000	1,000,000	„	4%	..	..	1,000,000	....
11-2-38	58,000,000	1,500,000	„	3%	..	..	1,500,000	....
18-2-38	44,100,000	2,000,000	„	5%	..	..	2,000,000	....
25-2-38	445,000	445,000	„	..	..	..	445,000	4,945,000
4-3-38	327,000	327,000	„	..	..	..	327,000	....
11-3-38	4,575,000	1,000,000	„	22%	..	..	1,000,000	....
18-3-38	44,810,000	1,500,000	„	3%	..	..	1,500,000	....
25-3-38	41,550,000	2,000,000	„	5%	..	..	2,000,000	4,827,000
1-4-38	340,000	340,000	„	..	..	..	340,000	....
8-4-38	8,000	8,000	„	..	..	..	8,000	....
15-4-38	10,000	10,000	1/6-3/32	..	..	..	10,000	....
22-4-38	70,000	Tenders rejected	..	..	..	..	....	358,000
29-4-38 to 22-7-38	Tenders discontinued.		..	..	..	..	....	....
29-7-38	....	....	..	..	415,000	1/5 15/16	415,000	415,000
5-8-38	....	....	..	..	405,000	„	405,000	....
12-8-38	....	....	..	..	255,000	„	255,000	....
19-8-38	No purchases made.		..	..	..	..	....	....
26-8-38	No purchases made.		..	..	..	..	....	660,000
2-9-38	No purchases made.		..	..	..	..	....	....
9-9-38	No purchases made.		..	..	..	..	....	....
16-9-38	....	....	..	..	15,000	1/5-15/16	15,000	....
23-9-38	No purchases made.		..	..	..	..	....	....
30-9-38	....	....	..	..	615,000	1/5-15/16	615,000	630,000
7-10-38	....	....	..	..	95,000	„	95,000	....
14-10-38	....	....	..	..	650,000	„	650,000	....
21-10-38	....	....	..	..	680,000	„	680,000	....
28-10-38	....	....	..	..	200,000	„	200,000	1,625,000
4-11-38	....	....	..	..	250,000	„	250,000	....
11-11-38	....	....	..	..	400,000	„	400,000	....
18-11-38	....	....	..	..	200,000	„	200,000	....
25-11-38	....	....	..	..	30,000	„	30,000	880,000
2-12-38	....	....	..	..	430,000	..	430,000	....
9-12-38	No purchases made.		..	..	..	..	....	....
16-12-38	No purchases made.		..	..	..	..	....	....
23-12-38	....	....	..	..	180,000	1/5-15/16	180,000	....
30-12-38	....	....	..	..	838,000	„	838,000	1,448,000
Total ..	225,333,000	13,400,000	..	..	5,658,000	..	19,058,000	19,058,000

STATEMENT OF AFFAIRS OF THE IMPERIAL BANK OF INDIA, 1938.

(IN RUPEES 00,000'S OMITTED.)

Average of Friday Figures.	LIABILITIES. Capital 5,63 Reserve 5,53. Fixed Deposits, Savings Bank, Current and other Accounts.	Acceptances for Constituents.	Sundries.	ASSETS. Investments. Government Securities.	Others	Advances. Loans.	Cash Credits and overdrafts.	Bills discounted and purchased.	Other Assets.	Cash.	Ratio of total Cash to Liabilities (excluding Capital and Reserve Fund).
Average for 1936	78,72	..	67	43,58	15	3,73	16,37	2,91	2,95	20,73	26.11
Average for 1937	81,89	1	70	44,25	1,28	5,88	18,09	3,71	2,78	17,70	21.43
1938.											
January	80,52	7	61	44,87	1,89	6,21	17,46	4,90	2,66	14,33	17.65
February	79,59	9	46	43,17	1,33	6,91	18,99	4,44	2,64	13,79	17.21
March	79,72	8	52	37,71	1,12	7,91	21,30	4,66	2,69	16,06	19.99
April	80,65	6	66	37,65	1,04	7,40	23,32	4,89	2,64	15,57	19.13
May	80,76	5	92	38,40	1,02	7,42	23,37	5,06	2,69	14,89	18.22
June	79,61	5	1,30	39,54	1,05	6,65	22,75	5,06	2,81	14,22	17.56
July	81,54	4	65	38,42	1,05	7,74	21,88	3,23	2,48	18,58	22.60
August	81,31	3	44	39,78	98	7,24	21,14	2,07	2,43	19,30	23.98
September	81,60	2	53	44,98	1,01	7,08	19,61	2,08	2,51	16,02	19.50
October	84,44	2	66	49,43	1,02	6,96	18,40	2,22	2,55	15,67	18.41
November	83,24	3	81	52,18	1,01	7,21	17,88	2,90	2,71	11,34	13.49
December	81,50	3	136	48,01	1,22	9,08	19,44	3,82	2,97	9,50	11.46

SCHEDULED BANKS CONSOLIDATED POSITION.

(IN RUPEES 00,000'S OMITTED).
(EACH ASSET IS ALSO SHOWN AS A PERCENTAGE OF TOTAL LIABILITIES.)

Average of Friday Figures.	Cash in India and Balances with the Reserve Bank.		Demand Liabilities in India.	Time Liabilities in India.	Advances in India.		Bills discounted in India.	
Average for 1936.	36,22	15.99	125,85	100,58	89,78	39.65	4,27	1.88
Average for 1937.	32,01	13.28	133,54	107,50	111,79	46.38	6,27	2.60
1938.								
January ..	23,36	10.14	125,20	104,98	106,70	46.33	6,20	2.69
February ..	19,56	8.58	122,56	105,28	111,61	48.99	6,45	2.83
March	20,28	8.92	122,09	105,18	116,54	51.28	6,79	2.99
April	19,82	8.72	122,72	104,54	119,32	52.50	6,76	2.97
May	19,77	8.68	122,01	105,66	119,75	52.60	6,37	2.80
June	21,76	9.63	120,96	104,85	116,28	51.49	5,56	2.46
July	27,66	12.27	122,48	102,97	111,26	49.35	3,97	1.76
August ..	30,36	13.44	123,40	102,43	106,47	47.14	2,67	1.18
September ..	26,74	11.76	125,26	102,10	104,31	45.88	2,28	1.00
October ..	27,90	12.14	128,20	101,52	102,15	44.47	2,55	1.11
November ..	22,77	9.94	127,40	101,70	99,57	43.46	3,22	1.40
December ..	18,29	8.03	125,06	102,70	105,19	46.18	3,79	1.66

CLEARING HOUSE RETURNS.

(IN RUPEES 00,000'S OMITTED.)

——	Bombay.	Calcutta.	Cawnpore.	Delhi.	Karachi.	Lahore.	Madras.	Rangoon	Total.	Progressive Total.
Total for 1936.	709,74	885,71	11,79	14,93	30,71	10,97	83,18	77,46	1824,49	1824,49
Total for 1937.	848,20	1005,39	12,05	18,04	36,78	12,00	110,03	88,95	2131,44	2131,44
1938.										
January ..	62,71	82,07	98	1,61	2,73	88	8,68	5,92	165,58	165,58
February ..	60,95	70,09	1,18	1,73	2,79	80	8,84	7,02	153,40	318,98
March	64,45	70.99	1,17	1,76	2,58	86	9,51	7,63	159,15	478,13
April	85,55	91,16	1,30	1,95	3,04	1,19	9,33	8,85	202,37	680,50
May	62,62	73,05	97	1,44	2,34	82	8,73	6,45	156,42	836,92
June	56,49	63,87	91	1,31	2,23	73	7,77	5,69	139,00	975,92
July	81,20	87,46	96	1,52	2,93	98	9,09	7,10	191,33	1167,25
August ..	53,40	66,13	65	1,27	2,23	73	7,05	5,39	136,85	1304,10
September ..	64,20	88,89	1,32	1,52	2,90	88	9,46	6,16	175,33	1479,43
October ..	58,46	66,95	87	1,26	2,65	82	6,98	5,43	143,42	1622,85
November ..	57,68	63,89	80	1,43	2,59	80	6,80	5,00	138,99	1761,84
December ..	83,19	90,08	1,13	1,91	3,42	97	9,23	7,36	197,29	1959,13
Total for 1938.	790,99	914,63	12,24	18,71	32,43	10,46	101,47	78,20	1959,13	1959,13

RESERVE BANK OF INDIA.

(IN RUPEES 00,000'S OMITTED).

Average of Friday Figures.	ISSUE DEPARTMENT. Notes held in Banking Department.	Notes in Circulation.	Gold coin and Bullion.	Sterling Securities.	Rupee coin.	Rupee Securities.	Percentage of gold & sterling Securities to total Notes Issued.	BANKING DEPARTMENT. Government Deposits.	Banks Deposits.	Other Deposits.	Total Deposits.	Other Liabilities.	Notes and Coin.	Balances held abroad.	Loans & Advances to Govt.	Investments.	Other Assets.
Average for 1936	28,94	169,64	44,42	67,42	62,89	23,85	56·32	8,45	30,73	38	39,56	1,12	29,05	13,17	2,22	5,53	71
Average for 1937	22,06	188,03	44,42	79,10	60,20	26,38	58·79	11,11	25,73	59	37,43	82	22,14	17,41	62	7,35	78
7-1-38	26,95	185,99	44,42	78,81	62,31	27,41	57·87	10,36	18,04	1,87	29,77	71	27,01	1,85	6,00	6,15	57
14-1-38	26,76	186,19	44,42	78,81	62,32	27,40	57·87	10,60	17,58	1,39	29,57	70	26,84	3,00	4,00	5,94	57
21-1-38	28,70	184,51	44,42	78,81	62,59	27,40	57·79	9,43	17,47	1,39	28,29	66	28,78	3,76	..	6,04	51
28-1-38	30,26	183,28	44,42	78,81	62,92	27,40	57·70	13,55	15,95	1,58	31,08	61	30,36	4,90	..	6,00	52
Average for Jan.	28,17	184,99	44,42	78,81	62,54	27,40	57·81	10,99	17,26	1,43	29,68	67	28,25	3,38	2,25	6,03	54
4-2-38	26,37	186,95	44,42	78,81	62,70	27,40	57·77	12,68	13,73	58	26,99	72	26,45	4,59	..	6,17	54
11-2-38	24,75	188,35	44,42	78,81	62,48	27,40	57·82	12,84	13,70	54	27,08	62	24,82	5,96	..	6,48	52
18-2-38	26,24	187,18	44,42	78,81	62,80	27,40	57·74	14,00	14,91	53	29,44	71	26,32	7,21	..	6,16	53
25-2-38	27,88	185,89	44,42	78,81	63,15	27,40	57·64	17,92	13,04	52	31,48	65	27,99	7,24	..	6,40	56
Average for Feb.	26,31	187,09	44,42	78,81	62,77	27,40	57·75	14,36	13,85	54	28,75	68	26,40	6,25	..	6,30	54
4-3-38	23,09	189,75	44,42	78,81	62,82	27,39	57·73	13,30	13,45	55	27,30	63	23,77	7,18	..	6,44	56
11-3-38	22,49	190,81	44,42	78,81	62,68	27,39	57·77	14,42	12,93	52	27,87	62	22,58	8,20	..	6,58	58
18-3-38	24,47	188,97	44,42	78,81	62,82	27,39	57·73	15,76	14,94	54	31,24	66	24,58	9,07	..	6,72	61
25-3-38	27,92	186,12	44,42	78,81	63,42	27,39	57·57	17,91	16,97	54	35,42	73	28,01	9,44	..	7,13	63
Average for Mar.	24,64	188,91	44,42	78,81	62,93	27,39	57 71	5,35	14,57	54	30,46	66	24,74	8,47	..	6,72	60
1-4-38	29,78	184,81	44,42	78,81	63,97	27,39	57·42	9,38	14,56	60	34,54	71	29,87	7,54	31	7,04	54
8-4-38	25,58	188,62	44,42	78,81	63,58	27,39	57·53	15,08	14,30	57	29,90	89	25,66	5,47	1,40	6,99	54
15-4-38	25,29	188,89	44,42	78,81	58,56	32,39	57·58	15,09	12,33	57	27,99	66	25,37	5,34	36	7,09	55
22-4-38	29,14	185,21	44,42	78,81	58,73	32,39	57·49	15,83	14,45	57	30,85	78	29,24	4,87	2	6,96	59
29-4-38	31,80	182,88	44,42	78,81	59,06	32,39	57·40	18,51	14,78	55	33,84	67	31,91	4,71	4	7,09	79
Average for Apr.	28,32	186,08	44,42	78,81	60,78	30,39	57·48	16,77	14,08	57	31,42	74	28,41	5,59	43	7,03	60
6-5-38	28,02	186,30	44,42	78,81	58,70	32,39	57·50	15,51	13,78	55	29,84	75	28,10	4,35	33	7,01	81
13-5-38	28,29	185,94	44,42	78,81	58,61	32,39	57·52	14,82	14,64	54	30,00	70	28,38	4,04	52	6,86	77
20-5-38	31,92	182,82	44,42	78,81	59,16	32,35	57·38	18,32	12,58	1,01	31,91	72	32,02	2,05	37	7,10	75
27-5-38	35,23	180,23	44,42	78,81	59,88	32,35	57·19	19,41	14,46	57	34,44	65	35,35	1,99	16	6,72	76
Average for May	30,87	183,82	44,42	78,81	59,09	32,37	57·40	17,02	13,87	67	31,56	71	30,96	3,11	35	6,92	77
3-6-38	31,45	181,60	44,42	76,14	60,14	32,35	56·59	17,86	13,38	55	31,79	70	31,54	8,24	..	6,81	80
10-6-38	31,69	181,69	44,42	76,14	60,47	32,35	56·50	17,52	14,21	57	32,30	84	31,80	3,41	12	6,66	79
17-6-38	36,20	178,30	44,42	76,14	61,59	32,35	56·20	18,57	16,25	58	35,40	88	36,30	2,13	12	6,67	80
24-6-38	40,33	175,39	44,42	76,14	62,81	32,35	55·89	20,74	18,01	57	39,32	85	40,41	2,05	12	6,52	80
Average for June	34,92	179,24	44,42	76,14	61,25	32,35	56·29	18,67	15,46	57	34,70	82	35,01	2,71	9	6,67	80
1-7-38	35,09	177,42	44,42	72,15	63,59	32,35	54·85	17,89	16,94	57	35,40	87	35,17	3,56	..	6,63	86
8-7-38	36,27	176,96	44,42	72,15	64,30	32,36	54·67	13,95	19,69	56	34,20	94	36,33	1,22	..	6,64	86
15-7-38	38,78	175,25	44,42	72,15	65,10	32,36	54·46	14,05	21,60	55	36,20	1,13	38,86	90	..	6,61	86
22-7-38	39,19	173,26	44,42	69,49	66,17	32,37	53·61	14,77	23,10	57	38,44	1,13	39,28	2,95	4	6,49	88
29-7-38	41,80	171,53	44,42	69,49	67,05	32,37	53·39	15,81	24,95	62	41,38	1,13	41,92	3,46	4	6,25	92
Average for July	38,23	174,88	44,42	71,09	65,24	32,36	54·20	15,29	21,26	57	37,12	1,05	38,31	2,42	2	6,52	88
5-8-38	39,14	174,36	44,42	69,49	67,22	32,37	53·35	15,00	22,90	67	38,57	1,43	39,21	3,27	27	6,36	94
12-8-38	38,96	174,72	44,42	69,49	67,40	32,37	53·30	13,80	24,42	60	38,82	1,47	39,69	3,39	41	6,54	94
19-8-38	41,05	173,28	44,42	69,49	68,05	32,37	53·14	15,48	23,73	56	39,77	1,49	41,15	2,52	8	6,55	96
26-8-38	43,78	171,34	44,42	69,49	68,84	32,37	52·95	17,09	24,66	55	42,30	1,54	43,90	2,44	13	6,41	98
Average for Aug.	40,73	173,43	44,42	69,49	67,88	32,37	53·19	15,34	23,93	60	39,87	1,48	40,83	2,91	22	6,47	96
2-9-38	41,21	174,06	44,42	69,49	68,99	32,37	52·91	17,14	21,40	68	39,22	1,66	41,31	2,08	39	6,06	1,08
9-9-38	39,58	175,24	44,42	69,49	68,54	32,37	53·02	17,55	20,40	62	38,57	1,52	39,69	2,01	1,13	6,17	1,08
16-9-38	41,41	174,35	44,42	69,49	69,48	32,37	52·79	17,56	20,65	61	38,82	1,67	41,50	1,37	20	6,16	1,07
23-9-38	43,07	173,25	44,42	69,49	70,04	32,37	52·65	18,98	20,21	59	39,78	1,49	43,17	61	16	6,16	1,09
30-9-38	36,86	175,67	44,42	65,49	70,25	32,37	51·71	17,80	19,35	77	37,92	1,50	36,96	4,65	25	6,33	1,16
Average for Sep.	40,43	174,51	44,42	68,69	69,46	32,37	52·62	17,81	20,40	65	38,86	1,57	40,53	2,14	43	6,18	1,10
7-10-38	30,46	178,72	44,42	62,16	70,23	32,37	50·95	12,32	21,72	89	34,93	1,86	30,57	1,93	7,13	5,85	1,31
14-10-38	31,55	177,80	44,42	62,16	70,40	32,37	50·91	12,56	22,39	82	35,77	1,75	31,66	2,41	6,47	5,67	1,31
21-10-38	31,03	178,52	44,42	62,16	70,61	32,36	50·86	11,84	22,53	1,08	35,45	1,91	31,14	2,75	6,53	5,61	1,33
28-10-38	32,67	177,15	44,42	62,16	70,88	32,36	50·79	13,92	18,53	1,48	33,93	1,85	32,80	2,94	3,08	5,57	1,39
Average for Oct.	31,43	178,05	44,42	62,16	70,53	32,37	50·88	12,66	21,29	1,07	35,02	1,84	31,54	2,51	5,80	5,68	1,33
4-11-38	30,21	179,62	44,42	62,16	70,89	32,36	50·79	12,73	16,37	1,29	30,39	2,13	30,31	2,52	2,59	5,68	1,42
11-11-38	29,68	180,14	44,42	62,16	70,88	32,36	50·80	11,94	15,94	1,11	28,99	1,86	29,80	2,22	1,62	5,79	1,42
18-11-38	31,27	178,02	44,42	62,16	71,25	32,36	50·71	11,01	17,01	1,17	29,19	1,94	31,40	33	2,04	5,94	1,42
25-11-38	31,43	178,91	44,42	62,16	71,40	32,36	50·67	13,78	12,50	1,06	27,34	2,02	31,58	34	11	5,92	1,41
Average for Nov.	30,65	179,40	44,42	62,16	71,11	32,36	50·74	12,36	15,46	1,16	28,98	1,99	30,77	1,35	1,59	5,84	1,42
2-12-38	27,95	180,83	44,42	60,83	71,17	32,36	50·41	11,31	12,69	96	24,96	1,95	28,07	1,33	22	5,90	1,39
9-12-38	25,60	182,87	44,42	60,83	70,86	32,36	50·49	9,91	12,17	95	23,03	2,03	25,71	1,25	74	5,84	1,49
16-12-38	23,87	183,10	44,42	59,50	70,70	32,35	50·21	9,95	12,28	76	22,99	1,98	23,95	51	1,14	5,52	3,85
23-12-38	21,49	184,86	44,42	59,50	70,08	32,35	50·36	10,55	11,41	79	22,75	1,99	21,58	46	1,53	5,50	5,67
30-12-38	18,44	188,00	44,42	59,50	70,19	32,32	50·34	11,26	12,17	83	24,26	2,53	18,54	1,30	1,06	5,58	10,31
Average for Dec.	23,47	183,93	44,42	60,03	70,60	32,35	50·36	10,60	12,14	86	23,60	2,10	23,57	97	94	5,67	4,54

TRADE OF INDIA—1938.

Imports and Exports of Merchandise and Treasure on private account.

(In Rupees, 000's omitted.)

Months.	Exports including re-exports.	Imports.	Balance of Trade in Merchandise only.	Treasure —Net Imports +Net Exports.	Balance of trade excluding Government Remittances.	Remittances to Secy. of State (adverse to India).	Net balance of trade +in favour — against India.
January ..	14,41,15	15,90,79	— 1,49,64	+ 1,67,00	+ 17,36	— 4,23,00	— 4,05,64
February ..	12,79,90	12,58,50	+ 21,40	+ 2,03,00	+ 2,24,40	— 5,58,00	— 3,33,60
March ..	14,79,08	15,34,35	— 55,27	+ 68,00	+ 12,73	— 5,62,00	— 5,49,27
April ..	12,65,30	13,42,66	— 77,36	+ 1,05,00	+ 27,64	— 29,00	— 1,36
May ..	12,02,24	12,44,88	— 42,64	+ 62,00	+ 19,36	— 7,00	+ 12,36
June ..	12,72,61	12,00,05	+ 72,56	+ 51,00	+ 1,23,56	— 6,00	+ 1,17,56
July ..	14,68,64	11,04,50	+ 3,64,14	+ 2,91,00	+ 6,55,14	— 54,00	+ 6,01,14
August ..	14,07,80	10,91,51	+ 3,16,29	+ 1,88,00	+ 5,04,29	— 91,00	+ 4,13,29
September ..	15,66,98	10,81,32	+ 4,85,66	— 5,00	+ 4,80,66	— 85,00	+ 3,95,66
October ..	14,61,82	12,97,26	+ 1,64,56	+ 2,37,00*	+ 4,01,56	— 2,21,00	+ 1,80,56
November ..	15,33,68	13,37,52	+ 1,96,16	+ 2,31,00*	+ 4,27,16	— 1,60,00	+ 2,67,16
December ..	14,76,85	12,61,47	+ 2,15,38	+ 1,33,00*	+ 3,48,38	— 1,53,00	+ 1,95,38
Total for 1938	1,68,56,05	1,53,44,81	21,61,06	+ 17,31,00	32,42,24	23,49,00	+ 8,93,24

Source of information :—" Accounts relating to the Sea-borne Trade and Navigation of British India."
(One lakh: 100.000; Ten lakhs: 1,000,000; One crore: 10,000,000).

N.B.—From 1st April 1937, after the separation of Burma, the above figures do not include the trade of Burma, whereas the trade of India with Burma is included.

* Includes gold earmarked on account of purchasers abroad.

RAW MATERIALS—PRODUCTION AND EXPORTS.

(000's omitted.) (In Tons.)

Commodities.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.
	World.	India.		World.	India.		World.	India.		World.	India. (Excluding Burma)	
	1934-35.			1935-36.			1936-37.			1937-38.		
Cotton (Raw)..	5,049	867	+ 563	5,639	1,059	+ 530	6,761	1,128	+ 697	8,159	1,011	+ 353
Jute (Raw) ..	1,528	1,518	+ 752	1,302	1,302	+ 771	1,726	1,716	+ 821	1,550	1,539	+ 747
Rice	84,532	45,400	+ 1,198	83,794	42,381	+ 184	91,983	48,949	+ 1,372	91,334	39,855	+ 191
Groundnuts ..	4,665	1,884	+ 511	5,334	2,258	+ 413	5,895	2,803	+ 739	....	3,259	+ 617
Linseed ..	3,513	376	+ 238	3,376	420	+ 164	§ 2,864	388	+ 296	§ 2,519	418	+ 226
Rape Seed ..	1,187	943	+ 37	1,255	900	+ 19	1,343	957	+ 37	1,336	976	+ 32
Seasamum ..	632	406	+ 4	737	463	+ 1	768	479	+ 14	787	471	+ 9
Cane Sugar ..	14,428	3,081	— 195	15,796	3,563	— 199	17,666	3,897	+ 2	17,302	3,169	+ 79
Cotton Seed ..	10,550	2,020	+ .6	11,761	2,468	+ .7	14,103	2,629	+ .9	16,731	2,356	+ 5

Source of information { * 'League of Nations Statistical Year Book 1937-38.'
** 'Sea-borne Trade and Navigation of British India.'

§ Excluding U. S. S. R.

INDIA'S CROPS :—SEASONS AND EXPORT VALUE.

Name of Article.	Crops sown.	Crops harvested.	Export commences.	Value of Exports from Dec. 1936 to 30th November 1937.	Value of Exports from Dec. 1937 to 30th November 1938.
				(Thousands of Rupees)	
Rice .. .. (Husked, unhusked & Rice Flour).	May/June	November/December..	January.. ..	6,50,22	2,95,39
Jute	May/June	September/October ..	November ..	45,94,15	39,10,99
Cotton	May/June and October	October/November and April/May.	November ..	51,44,82	30,11,80
Tea	....	June/January ..	July	23,73,21	23,36,14
Cottonseed ..	....	October/November ..	December ..	7,51	39
Maizè	July	October/November ..	December ..	24	8
Tilseed	July and October ..	November and March.	December/January.	32,64	16,05
Rapeseed ..	August/October ..	February/March ..	April/May ..	58,01	31,17
Mustardseed ..	August/October ..	February/March ..	April/May ..	4,57	4,34
Gram	September/October ..	February/March ..	May	27,26	23,56
Lentils	October	February/March ..	Late March ..	21,89	23,69
Peas (Beans) ..	October	March	April/May ..	8,69	2,47
Linseed ..	October	March/April	May	3,84,93	3,89,77
Barley	October/November ..	March/April	May	27,10	12,63
Wheat	October/November ..	April	May	5,19,06	4,08,06
Groundnut ..	August	December	January	11,00,74	10,99,51

* Value includes raw and manufactured articles.

CURRENCY RETURNS FOR EACH QUARTER.

In rupees. (00,000's omitted).

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1914.					
Jan.-Mar. ..	66,12	63,94	52,12	49,94	78·46
Apr.-June ..	70,26	65,46	56,26	51,46	79·34
July-Sept. ..	75,45	60,52	61,45	46,52	79·15
Oct.-Dec. ..	61,19	60,78	47,19	46,78	77·04
1915.					
Jan.-Mar. ..	61,63	59,55	47,63	45,55	76·89
Apr.-June ..	66,48	60,24	52,48	46,24	77·85
July-Sept. ..	68,06	63,81	54,06	49,81	78·74
Oct.-Dec. ..	63,59	62,06	49,59	48,06	77·71
1916.					
Jan.-Mar. ..	67,73	62,42	47,73	45,51	71·68
Apr.-June ..	71,39	65,47	48,23	43,25	66·81
July-Sept. ..	75,48	71,55	52,42	48,49	68·60
Oct.-Dec. ..	82,17	73,32	50,12	41,21	58·60
1917.					
Jan.-Mar. ..	86,76	84,36	40,47	37,58	45·59
Apr.-June ..	93,29	82,72	32,11	30,64	35·72
July-Sept. ..	108,43	99,31	46,95	37,83	40·69
Oct.-Dec. ..	114,77	108,31	53,29	46,83	44·83
1918.					
Jan.-Mar. ..	104,82	99,79	43,34	38,31	39·86
Apr.-June ..	114,79	105,96	37,37	36,39	33·45
July-Sept. ..	134,38	121,41	48,39	38,75	33·96
Oct.-Dec. ..	147,09	136,43	54,77	50,44	37·10
1919.					
Jan.-Mar. ..	153,46	149,74	54,88	51,16	34·96
Apr.-June ..	162,76	153,72	64,18	55,14	37·65
July-Sept. ..	171,86	167,11	72,33	68,53	41·54
Oct.-Dec. ..	182,91	175,28	83,38	75,76	44·40
1920.					
Jan.-Mar. ..	185,15	174,52	87,66	84,94	48·00
Apr.-June ..	170,74	164,34	91,52	84,97	52·65
July-Sept. ..	163,87	157,63	94,98	94,21	58·86
Oct.-Dec. ..	161,41	159,58	93,79	83,16	55·10
1921.					
Jan.-Mar. ..	166,16	163,41	89,74	86,99	53·61
Apr.-June ..	171,76	167,32	95,42	90,91	54·94
July-Sept. ..	178,37	175,56	103,10	99,16	54·38
Oct.-Dec. ..	179,72	172,53	104,31	98,29	57·50
1922.					
Jan.-Mar. ..	174,76	173,87	103,84	99,16	58·22
Apr.-June ..	176,01	171,76	105,05	100,83	59·19
July-Sept. ..	182,26	180,41	113,99	109,41	61·59
Oct.-Dec. ..	179,63	174,18	115,42	110,91	63·96
1923.					
Jan.-Mar. ..	174,70	172,65	111,37	109,37	63·54
Apr.-June ..	173,61	171,23	110,27	107,88	63·25
July-Sept. ..	179,29	175,72	121,81	114,36	64·19
Oct.-Dec. ..	183,41	178,30	123,34	108,93	64·16
1924.					
Jan.-Mar. ..	186,19	184,02	104,50	102,32	55·86
Apr.-June ..	181,33	172,49	100,97	98,98	56·52
July-Sept. ..	179,26	176,24	107,95	104,89	54·87
Oct.-Dec. ..	180,98	179,21	108,86	103,09	58·83
1925.					
Jan.-Mar. ..	184,19	181,12	100,00	98,60	54·36
Apr.-June ..	183,85	173,23	101,07	95,13	54·93
July-Sept. ..	189,51	179,46	112,40	101,07	57·82
Oct.-Dec. ..	191,87	189,61	112,50	105,65	57·17
1926.					
Jan.-Mar. ..	193,34	190,45	107,23	104,33	55·00
Apr.-June ..	191,44	184,91	113,24	106,47	57·82
July-Sept. ..	201,09	192,65	125,05	144,41	61·06
Oct.-Dec. ..	196,52	181,18	127,88	124,93	66·59

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1927.					
Jan.-Mar. ..	184,13	180,03	126,79	124,23	68·90
Apr.-June ..	181,60	169,68	137,10	133,10	77·40
July-Sept. ..	181,81	173,69	144,71	138,23	79·88
Oct.-Dec. ..	183,37	178,57	145,34	138,28	78·53
1928.					
Jan-Mar. ..	186,28	182,65	137,32	135,12	73·32
Apr.-June ..	186,09	177,15	135,36	127,93	72·14
July-Sept. ..	184,59	178,11	136,65	130,50	73·64
Oct.-Dec. ..	189,10	183,24	136,59	131,80	72·99
1929.					
Jan.-Mar. ..	192,47	188,03	132,17	130,92	69·17
Apr.-June ..	188,98	182,82	134,86	130,62	71·45
July-Sept. ..	187,69	185,02	145,21	136,21	76·15
Oct.-Dec. ..	187,21	179,10	145,80	140,27	78·45
1930.					
Jan.-Mar. ..	181,60	177,23	143,22	138,32	77·72
Apr.-June ..	174,14	163,72	144,66	142,30	84·35
July-Sept. ..	172,36	164,71	154,03	145,60	89·15
Oct.-Dec. ..	173,06	161,34	155,37	151,73	92·27
1931.					
Jan.-Mar. ..	160,99	156,53	151,59	145,29	92·95
Apr.-June ..	160,25	152,53	152,94	146,57	95·58
July-Sept. ..	156,51	146,22	149,34	136,74	94·74
Oct.-Dec. ..	179,30	153,93	136,15	126,55	81·47
1932.					
Jan.-Mar. ..	182,31	177,64	125,98	115,71	66·16
Apr.-June ..	174,62	167,83	122,66	115,54	70·41
July-Sept. ..	175,77	171,66	126,62	123,46	71·90
Oct.-Dec. ..	175,91	174,75	130,18	124,29	72·15
1933.					
Jan.-Mar. ..	176,89	174,15	137,85	134,83	77·67
Apr.-June ..	176,66	175,46	137,84	131,67	76·94
July-Sept. ..	179,76	176,97	134,72	132,90	74·87
Oct.-Dec. ..	180,04	177,88	134,29	131,73	74·30
1934.					
Jan.-Mar. ..	178,38	176,58	139,51	131,61	76·90
Apr.-June ..	180,87	176,75	139,37	137,24	77·40
July-Sept. ..	185,06	181,58	140,94	139,43	76·25
Oct.-Dec. ..	185,63	183,91	139,36	136,62	74·65
1935.					
Jan.-Mar. ..	186,10	182,85	137,19	131,66	72·63
Apr.-June .	188,01	185,50	96,32	93,82	50·78
July-Sept. ..	194,12	188,82	102,43	97,14	52·16
Oct.-Dec. ..	194,96	193,27	103,24	101,54	52.81
1936.					
Jan.-Mar. ..	195,57	193,29	103,83	101,56	52·76
Apr.-June. ..	199,45	195,03	107,73	103,28	53·24
July-Sept. ..	203,22	200,07	112,48	108,35	54·93
Oct.-Dec. ..	203,30	199,15	112,56	108,42	55·09
1937.					
Jan.-Mar. ..	208,29	203,82	108,13	106,26	51.73
Apr.-June ..	208,41	206,68	106,18	99,00	48.53
July-Sept. ..	213,85	208,96	106,16	101,28	49.15
Oct.-Dec ..	214,90	213,67	107,21	103,98	49.61
1938.					
Jan.-Mar. ..	214,03	212,94	107,83	106,72	50.22
Apr.-June ..	215,72	213,05	108,39	102,98	48.88
July-Sept. ..	216,32	212,45	114,66	108,01	52.28
Oct.-Dec. ..	210,34	206,35	115,82	114,50	55.13

PRICE OF GOLD—1938.

Months.	PRICE IN LONDON PER FINE OUNCE (SPOT.)		
	Highest.	Lowest.	Average.
	Sh. d.	Sh. d.	Sh. d.
January	139 9½ (8)	139 5 (3)	139 7·5000
February	139 10½ (23)	139 7 (1)	139 9·1666
March	140 5½ (19)	139 6½ (10, 11)	139 10·8518
April	140 1½ (6, 8, 9)	139 5½ (26)	139 9·3043
May	140 9 (26, 27, 28)	139 6 (3, 4)	140 0·8654
June	140 10½ (17)	140 5½ (8)	140 8·5600
July	141 6½ (29)	140 8½ (5)	141 2·5000
August	143 3½ (31)	141 8 (2)	142 5·6923
September	147 (28)	143 ½ (1)	144 5·8269
October	146 10 (14)	144 1½ (1)	145 9·1923
November	150 (26)	145 11½ (8)	147 7·5000
December	149 7½ (31)	148 1 (6)	148 10·5000
		Average for the year ..	142 6·2883

Months.	PRICE IN BOMBAY PER TOLA (SPOT.)		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	34 7 9 (6)	34 6 0 (3)	34 7 0
February	34 9 0 (15)	34 5 6 (25)	34 7 8
March	34 14 9 (31)	34 7 9 (1)	34 10 8
April	35 0 9 (28)	34 12 3 (20, 23)	34 14 5
May	35 4 9 (30)	34 13 9 (2, 3)	35 0 6
June	35 14 3 (15)	35 4 6 (1)	35 8 6
July	35 11 9 (20)	35 2 9 (5)	35 9 1
August	36 4 3 (31)	35 10 9 (1)	35 15 5
September	36 12 0 (6)	35 15 0 (27)	36 4 2
October	36 11 0 (17)	35 14 3 (1)	36 6 6
November	37 10 6 (28)	36 7 9 (1, 2)	36 14 11
December	37 7 6 (9)	37 2 0 (6)	37 4 5
		Average for the year ..	35 9 11

Figures within brackets indicate the date on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF GOLD—1938.

Months.	Monthly import value of bar gold and coin into British India.	Monthly Export of bar gold and coin from British India.		Monthly estimated off-take in Bombay.*	Estimated stock at the end of each month in Bombay.
		Value.	Ozs. (Fine).		
	Rs.	Rs.		Tolas.	Tolas.
January ..	7,08,930	1,54,39,049	168,069	35,000	100,000
February ..	4,24,839	1,99,35,458	216,755	25,000	50,000
March ..	7,56,814	80,66,962	87,166	30,000	75,000
April ..	6,48,560	1,24,04,431	132,475	25,000	150,000
May ..	16,51,315	1,10,36,254	117,854	35,000	100,000
June ..	7,27,757	70,16,517	74,223	40,000	300,000
July ..	6,80,231	3,05,05,303	321,269	40,000	150,000
August ..	6,02,297	2,01,14,965	208,715	40,000	150,000
September ..	3,83,353	30,20,047	31,364	40,000	600,000
October ..	3,98,357	2,15,90,045	221,943	40,000	175,000
November ..	3,99,979	68,20,869	69,370	40,000	150,000
December ..	6,06,082	38,385	386	40,000	500,000
Total ..	79,88,514	15,59,88,285	1,649,589	430,000	..

* The above off-take figures are exclusive of shipments to foreign ports.

PRICE OF BAR SILVER—1938.

Months.	PRICE IN LONDON PER STANDARD OUNCE (Spot).		
	Highest.	Lowest.	Average.
	d.	d.	d.
January	20—3/8 (19)	19—1/4 (3)	19·8950
February	20—3/8 (8)	19—15/16 (17, 18, 19)	20·1589
March	20—9/16 (18, 19)	18—3/8 (29, 30)	20·0879
April	19—1/8 (7)	18—9/16 (30)	18·8804
May	18—15/16 (31)	18—5/8 (3, 4, 5, 6)	18·7308
June	19—1/16 (3, 4, 27, 28, 29, 30)	18—11/16 (18)	18·9450
July	19—13/16 (25)	18—15/16 (1)	19·3557
August	19—9/16 (2, 10, 13)	19—1/8 (24)	19·3894
September	19—11/16 (14)	18—3/4 (28)	19·3005
October	19—13/16 (19)	19-5/16 (1)	19·6130
November	20—1/4 (29)	19—1/2 (2, 4)	19·8341
December	20—1/4 (23)	19—15/16 (16, 29)	20·0825
	Average for the year		19·5228

Months.	PRICE IN BOMBAY PER 100 TOLAS (Spot).		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	50 15 0 (19)	48 6 6 (3)	49 15 3
February	51 1 6 (25)	49 10 0 (16)	50 4 2
March	51 15 0 (19)	47 12 0 (29)	50 13 11
April	50 0 6 (28)	48 2 0 (2)	49 2 11
May	49 13 6 (23)	49 0 6 (2)	49 8 0
June	50 7 0 (28)	49 4 6 (16)	49 12 10
July	51 14 6 (25)	50 0 0 (1)	50 12 1
August	51 7 6 (3)	50 6 6 (24)	51 0 11
September	52 15 6 (28)	49 14 6 (5)	51 3 3
October	51 9 6 (14)	50 12 6 (1)	51 3 2
November	51 8 6 (23)	50 10 0 (8, 12)	51 1 0
December	51 6 6 (31)	50 6 0 (5)	51 0 2
	Average for the year		50 7 10

* Figures within brackets indicate the dates on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF SILVER—1938.

Months.	Monthly imports of silver bullion (bar and other kinds of uncoined silver) into British India.	Monthly exports of silver bullion (on Government and private account).	Monthly estimated off-take in Bombay.*	Monthly estimated stock of silver at the end of each month.
	(Standard	Ounces.)	(In bars of	2,800 tolas.)
January ..	626,186	2,290,054‡	2,500	5,500
February ..	1,931	408,651‡	2,500	8,000
March ..	503,454	107,649‡	3,000	5,500
April ..	1,094,913	....	5,000	4,000
May ..	2,821,029	....	3,250	3,000
June ..	1,354,497	....	1,500	3,500
July ..	900,357	....	1,000	3,000
August ..	1,261,206	40‡	750	2,400
September ..	3,216,880	1,181,020†	750	3,700
October ..	2,727,663	....	750	4,600
November ..	643,728	2,190,938† 851,709‡	650	3,500
December ..	43,209	795,059‡	600	2,000
Total ..	15,195,053	7,825,120	22,250	....

* The above off-take is exclusive of shipments on private account to foreign ports.
† Exports on Government Account.
‡ Exports on Private Account.

GOVERNMENT SECURITIES.

RUPEES. **(Thousands of Rupees.)**

Security.	When Issued.	Amount outstanding as at 30th Sept. 1938.	When Repayable.	Dates when interest is due.
		Rs.		
3 per cent. Loan	1896	3,23,54,	At the option of Government after three months' notice.	Feb. 1, Aug. 1.
3½ per cent. Loan	1843	24,61,02,		June 30, Dec. 31.
Do.	1854	20,80,05,		May 1, Nov. 1.
Do.	1865	38,47,46,		Jan. 16, July 16.
Do.	1879	2,71,43,		June 30, Dec. 31.
Do.	1900	36,42,15,		
2½ per cent. Loan	1936	12,01,28	On or before 1st June 1952, but not preceding 1st June 1948, with three months' previous notice.	June 1, Dec. 1.
3½ per cent. Bonds	1933	55,94,37,	After 15th Nov. 1947, at 3 months' notice but not later than 15th Nov. 1950.	May 15, Nov. 15.
3 per cent. Bonds	1934	10,67,32,	On Sept. 15, 1941.. ..	March 15, Sept. 15.
3 per cent. Loan	1935	15,12,85,	On or before 15th Sept. 1954, but not preceding 15th Sept. 1951, with three months' previous notice.	March 15, Sept. 15.
3 per cent.	1938	26,31,22,	On or before 1st June 1965 but not preceding 1st June 1963 with three months' notice.	June 1, Dec. 1.
4 per cent. Loan	1926	63,30,26,	On or before 15th Sept. 1970 but not preceding 15th Sept. 1960 at three months' notice.	March 15, Sept. 15.
4 per cent. Bonds	1933	14,97,18,	1st August 1943.	Feb. 1, Aug. 1.
4½ per cent. Loan	1928	9,05,70,	On or before Sept. 15, 1960, but not preceding 15th Sept. 1955, with 3 months' previous notice.	March 15, Sept. 15.
5 per cent. Income-tax free Loan*	1919	56,74,94,	After Oct. 15, 1945, at three months' notice and not later than Oct. 15, 1955.	April 15, Oct. 15.
Do. ..	1923			
Do. ..	1924			
5 per cent. Loan	1929	20,07,03,	After July 15, 1939, at three month's notice and not latter than July 15, 1944.	January 15, July 15.
5 per cent. Bonds	1932	25,18,48,	On or before 1st October 1943 but not preceding 1st October 1940 with three months' previous notice.	April 1, Oct. 1.
		4,35,66,28,		
Post Office Cash Certificates ..	..	59,61,70,		
,, ,, Savings Bank Deposits	..	82,50,01,		
Treasury Bills	..	46,00,50,		
Prov. Funds & other unfunded debt	..	93,64,20,		
Total Rs. ..	..	7,17,42,69		

The interest on Loans marked * is exempt from Income-tax, but not from Super-tax. It will be taken into account in determining the rate at which Income-tax will be levied on other income.

GOVERNMENT SECURITIES.

STERLING.

Description.	When issued.	Total sum raised.	Amount outstanding as on 30th Sept. 1938.	Date of termination of Loan.	When Interest. due.
		£	£		
India 4½ per cent. Stock.	1922–23 ..	40,000,000	39,127,770	If not previously redeemed, will be repaid at par on 15th May 1955 with right to redeem at par on, or on any half yearly int. date after 15th May 1950 at 3 months' notice.	May 15. November 15.
India 4½ per cent Stock.	1928 ..	17,500,000	17,500,000	If not previously redeemed, will be paid at par on 1st June 1968 with right to redeem at par on, or on any half yearly int. date after 1st June 1958 on giving 3 months' notice.	December 1. June 1.
India 3½ per cent. Stock.	Between 1887 & 1912.	88,767,884	88,067,884	Not redeemable until 5th January 1931, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 3 per cent. Stock.	Between 1894 & 1921-24.	77,065,347	76,784,185	Not redeemable until 5th October 1948, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 2½ per cent. Stock.	1896-98 ..	11,539,986	11,539,986	Redeemable at any time at Government's option with one year's previous notice.	January 5. April 5. July 5. October 5.
India 5 per cent. Stock.	1932 ..	10,000,000	8,879,614	If not redeemed on 15th June 1942, will be repaid at par after 3 months' notice but not later than 15th June 1947.	June 15. December 15.
India 4 per cent. Stock.	May 11, 1933	12,000,000	11,355,000	If not redeemed on 15th December 1948, will be repaid at par after 3 months' notice but not later than 15th December 1953.	June 15. Dec. 15.
India 3½ per cent. Stock.	Nov. 9, 1933	10,000,000	10,000,000	If not redeemed on 15th December 1954, will be repaid at par after 3 months' notice but not later than 15th December 1959.	June 15. December 15.
India 3 per cent. Stock.	July 10, 1935	10,000,000	9,500,000	If not redeemed on Aug. 1, 1949, will be repaid at par after 3 months' notice but not later than Aug. 1, 1952.	August 1. February 1.
		Total Debt in England bearing interest.	272,754,439	@ 1*s.* 6*d*=Rs. 363·67 crores.	

TREASURY BILLS

(EXCLUDING THOSE HELD BY THE RESERVE BANK OF INDIA).

(1937)	Rs.	(1937)	Per cent.
Amount issued since 1st January 1937 ..	70,00,00,000	Highest rate obtained during 1937	1.2500
Amount matured upto 31st Dec. 1937 ..	73,00,00,000	Lowest rate obtained during „	.4328
Amount outstanding on 31st Dec. 1937 ..	23,00,00,000	Average rate obtained during „	.8906
(1938)		(1938)	
Amount issued since 1st January 1938 ..	88,70,00,000	Highest rate obtained during 1938	2.5521
Amount matured upto 31st December 1938	81,13,25,000	Lowest rate obtained during „	0.6042
Amount outstanding on 31st Dec. 1938 ..	30,56,75,000	Average rate obtained during „	1.3177

PARTICULARS OF TREASURY BILLS OUTSTANDING.

Approximate due date.	Amount Issued.	Average Rate.	Tenure.	Date of Issuance.
		Rs. a. p.		
January 7, 1939	Rs. 2,00,00,000	1 6 5	3 Months.	October 7, 1938.
January 14, 1939	„ 2,00,00,000	1 5 1	3 „	October 14, 1938.
January 21, 1939	„ 2,50,00,000	1 5 3	3 „	October 21, 1938.
January 28, 1939	„ 3,00,00,000	1 5 10	3 „	October 28, 1938.
February 4, 1939	„ 3,00,00,000	1 5 8	3 „	November 4, 1938.
February 3 to 7, 1939	„ 15,50,000*	1 4 1	3 „	November 3 to 7, 1938.
February 11, 1939	„ 2,50,00,000	1 5 10	3 „	November 11, 1938.
Feburary 9 to 14, 1939	„ 55,00,000*	1 4 1	3 „	November 9 to 14, 1938.
February 18, 1939	„ 2,50,00,000	1 6 8	3 „	November 18, 1938.
February 16 to 21, 1939	„ 1,18,75,000*	1 6 1	3 „	November 16 to 21, 1938.
February 25, 1939	„ 2,50,00,000	1 7 9	3 „	November 25, 1938.
February 23 to 28, 1939	„ 3,75,000*	1 7 1	3 „	November 23 to 28, 1938.
March 2, 1939	„ 2,50,00,000	1 10 4	3 „	December 2, 1938.
February 28 to March 5, 1939 ..	„ 10,50,000*	1 9 5	3 „	Nov. 30 to Dec. 5, 1938.
March 9, 1939	„ 2,00,00,000	1 13 6	3 „	December 9, 1938.
March 7 to 12, 1939	„ 18,25,000*	1 13 2	3 „	December 7 to 12, 1938.
March 16, 1939	„ 1,50,00,000	2 1 6	3 „	December 16, 1938.
March 14 to 19, 1939	„ 14,00,000*	2 1 2	3 „	December 14 to 19, 1938.
March 23, 1939	„ 1,00,00,000	2 3 10	3 „	December 23, 1938.
March 21 to 24, 1939	„ 12,00,000*	2 3 2	3 „	December 21 to 24, 1938.
March 30, 1939	„ 1,00,00,000	2 8 10	3 „	December 30, 1938.
March 28 to 30, 1939	„ 9,00,000*	2 8 3	3 „	December 28 to 30, 1938.
Total ..	Rs. 30,56,75,000			

* Intermediates.

STATEMENT SHOWING BOMBAY MUNICIPAL LOANS OUTSTANDING.

Particulars.	Amount of Loan.	Rate per cent.	Amount outstanding. (31-12-38)	Date of Repayment.	Interest due on.
FROM GOVERNMENT.	Rs.		Rs. a. p.		
Vehar Water Works Debt ..	37,30,053	4%	12,19,882 6 9	1st January 1953.	1st of each month.
Conversion Loan	*82,67,000	3¼%	73,80,009 14 0	31st March 1951.	31st March.
1½ Crores Loan.	* 25,00,000	4¾%	16,28,542 10 0	31st March 1953.	Do.
	50,00,000	5½%	33,61,260 0 0	Do.	Do.
Rs. 140 Lakhs Loan ..	* 1,15,00,000	5½%	79,03,421 5 0	Do.	Do.
	25,00,000	5¼%	17,62,621 15 0	31st March 1954.	Do.
Rs. 2½ Crores Loan ..	* 1,08,26,000	5¼%	76,09,215 14 0	Do.	Do.
	1,41,74,000	5¼%	89,44,801 4 0	Do.	Do.
Rs. 65 Lakhs Loan ..	65,00,000	5¼%	45,68,632 1 0	Do.	Do.
	1,28,00,000	5 %	93,39,668 5 0	31st March 1955.	Do.
Rs. 2 Crores Loan	* 22,00,000	5 %	17,04,366 3 0	Do.	Do.
	50,00,000	5¼%	38,62,725 7 0	31st March 1956.	Do.
	40,00,000	5¼%	30,90,186 10 0	Do.	Do.
Rs. 150 Lakhs Loan ..	* 30,00,000	5 %	23,58,506 11 0	31st March 1957.	Do.
	40,00,000	5 %	31,44,666 2 0	Do.	Do.
	40,00,000	3¾%	32,02,109 10 0	31st March 1958.	Do.
	9,99,97,053		7,10,80,616 5 9		
FROM PUBLIC.					
			22,08,500	1st January 1943.	1st April and 1st October.
			17,00,000	Do. 1946.	
Rs. 147 Lakhs Loan ..	1,47,00,000	5 %	10,00,000	Do. 1948.	
			43,00,000	Do. 1953.	
Rs. 25 Lakhs Loan ..	25,00,000	4 %	25,00,000	1st Nov. 1939.	1st May and 1st November.
Rs. 19¼ „ „ ..	19,25,000	4 %	19,25,000	1st January 1940.	1st June and 1st December.
Rs. 24¾ „ „ ..	24,75,000	4 %	24,75,000	1st June 1943.	Do.
Rs. 24¾ „ „ ..	24,75,000	4 %	24,75,000	1st August 1946.	1st February and 1st August.
Rs. 15 „ „ ..	15,00,000	4 %	15,00,000	1st May 1949.	1st May and 1st November.
Rs. 30 „ „ ..	30,00,000	4 %	30,00,000	Do.	Do.
Rs. 55 „ „ ..	55,00,000	4 %	55,00,000	1st June 1942.	1st June and 1st December.
Rs. 70 „ „ ..	70,00,000	4 %	49,40,000	1st June 1954.	Do.
			20,60,000	1st June 1974.	Do.
Rs. 20 „ „ ..	20,00,000	4 %	20,00,000	1st May 1955.	1st May and 1st November.
Rs. 43 „ „ ..	43,00,000	4 %	43,00,000	1st May 1945.	Do.
Rs. 30 „ „ ..	30,00,000	4 %	30,00,000	1st January 1951.	1st January and 1st July.
Rs. 10 „ „ ..	10,00,000	5 %	10,00,000	1st July 1980.	Do.
Rs. 160 „ „ ..	1,60,00,000	6 %	1,60,00,000	1st December 1954.	1st June and 1st December.
Rs. 25 „ „ ..	25,00,000	5 %	25,00,000	1st January 1958.	1st January and 1st July.
Rs. 37 „ „ ..	26,21,500	5 %	26,21,500	1st August 1959.	1st August and 1st February.
Rs. 31.43 „ ..	26,14,000	5 %	26,14,000	1st August 1949-59	Do.
Rs. 28 „ „ ..	8,45,500	5 %	8,45,500	1st August 1954-59.	Do.
Rs. 40 „ „ ..	40,00,000	6 %	40,00,000	1st September 1950-60.	1st June and 1st December.
Rs. 9 „ „ ..	9,00,000	3½%	9,00,000	14th March 1966.	14th March and 14th September.
Rs. 24½ „ „ ..	24,50,000	3 %	24,50,000	1st February 1967	1st February and 1st August.
Rs. 30 „ „ ..	30,00,000	3 %	30,00,000	14th March 1968.	14th March and 14th September.
	8,63,06,000		8,08,14,500		

* Repayable in equated annual Instalments.

STATEMENT SHOWING BOMBAY IMPROVEMENT TRUST SCHEMES
LOANS OUTSTANDING

Particulars.	Amount of Loan.	Rate per cent.	Amount outstanding. (31-12-38)	Date of Repayment.	Interest payable on.
	Rs. a. p.		Rs. a. p.		
FROM GOVERNMENT.					
Consolidated Loan at ..	4,12,34,207 12 0	3.3759	4,03,79,207 8 0	31st January 1981	31st January, 31st July.
Rs. 45 Lakhs Loan ..	45,00,000 0 0	4¾%	27,16,592 0 0	20th February 1982.	31st March yearly 31st March, 30th September.
		4½%	17,83,408 0 0		
	52,00,000 0 0			2nd October 1982	31st March(yearly)
	8,00,000 0 0	5½%	1,03,83,408 0 0	22nd January 1983.	
Rs. 172 Lakhs Loan ..	82,00,000 0 0	4½%	68,16,592 0 0	Do.	31st March and 30th September.
	30,00,000 0 0			14th March 1983.	
	40,00,000 0 0	5¼%	55,00,000 0 0	2nd Nov. 1983.	31st March(yearly)
Rs. 89 Lakhs Loan ..	20,00,000 0 0			2nd January 1984.	31st March and 30th September.
	29,00,000 0 0	4½%	34,00,000 0 0	5th March 1984.	
	20,00,000 0 0			1st. Nov. 1984.	31st March (yearly).
	60,00,000 0 0	5 %	71,00,000 0 0	10th Nov. 1984.	
Rs. 100 Lakhs Loan ..	20,00,000 0 0	4½%	29,00,000 0 0	2nd January 1985.	31st March, 30th September.
	20,00,000 0 0	5¼%	63,00,000 0 0	2nd October 1985.	31st March (yearly).
	15,00,000 0 0		7,00,000 0 0	2nd Nov. 1985.	
Rs. 70 Lakhs Loan ..	35,00,000 0 0	4½%		2nd January 1986.	31st March, 30th September.
	8,88,34,207 12 0		8,79,79,207 8 0		
FROM PUBLIC.	Rs.		Rs.		Interest due on.
Rupee Coupon Debenture Loan.	50,00,000	4%	50,00,000	1st Nov. 1959.	1st May, 1st Nov.
Debenture Loan	30,00,000	4%	30,00,000	6th Sept. 1961.	1st Jan., 1st July.
,, ,, ...	30,00,000	4%	30,00,000	15th July 1962.	Do.
,, ,, ...	60,00,000	4%	60,00,000	20th Aug. 1963.	Do.
,, ,, ...	50,00,000	4%	50,00,000	7th Sept. 1964.	Do.
,, ,, ...	30,00,000	4%	30,00,000	12th Sept. 1965.	Do.
,, ,, ...	20,00,000	4%	20,00,000	2nd Oct. 1966.	Do.
,, ,, ...	15,00,000	4%	15,00,000	24th Sept. 1967.	Do.
,, ,, ...	30,00,000	4%	30,00,000	8th Sept. 1968.	Do.
Sterling Coupon Debenture Loan.	£5,66,600	4%	£5,66,600	1st July 1969.	Do.
,, ,, ...	£3,33,000	4%	£3,33,000	1st July 1970.	Do.
Debenture Loan	25,00,000	4%	25,00,000	28th Aug. 1972.	1st Jan., 1st July.
,, ,, ...	18,00,000	4%	18,00,000	26th Aug. 1973.	Do.
,, ,, ...	50,00,000	4%	50,00,000	4th Aug. 1974.	Do.
,, ,, ...	25,00,000	4%	25,00,000	3rd January 1976.	Do.
,, ,, ...	40,00,000	5%	40,00,000	1st Nov. 1957-79.	1st May, 1st Nov.
,, ,, ...	70,00,000	6%	66,00,000	1st April 1980	Do.
,, ,, ...	25,00,000	5%	25,00,000	16th Sept. 1956-86	1st Jan. 1st July.
,, ,, ...	25,00,000	4%	25,00,000	4th April 1961. 4th Oct. 1970.	Do.
,, ,, ...	25,00,000	5½%	25,00,000	1st Nov. 1944.	Do.
,, ,, ...	10,00,000	5%	10,00,000	31st Mar. 1943.	31st March, 30th September.
,, ,, ...	10,00,000	3½%	10,00,000	14th March 1966.	14th March, 14th September.
	Rs. 6,38,00,000 £8,99,600		Rs. 6,34,00,000 £8,99,600		

STATEMENT OF LOANS RAISED BY THE BOMBAY PORT TRUST TO DECEMBER 31, 1938.

Description of Loan.	Amount raised.	Rate of Interest.	Dates on which half-yearly payments of interest are due.	When redeemable.
	Rs.			
Debenture Loans				
1904 (60 yrs.) ..	36,50,000	4%	1st Jan., 1st July.	1st Nov. 1964.
1905 „ ..	35,00,000	„	1st Feb., 1st Aug.	1st Nov. 1965.
1906 „ ..	15,00,000	„	1st March, 1st Sept.	1st Feb. 1967.
1907 „ ..	44,00,000	„	1st May, 1st Nov.	1st Feb. 1968.
1908 „ ..	75,00,000	„	1st March, 1st Sept.	1st Feb. 1969.
1909 „ ..	40,00,000	„	1st Jan., 1st July.	1st Jan. 1970.
1910 „ ..	56,00,000	„	1st April, 1st Oct.	1st Jan. 1971.
1911 „ ..	75,00,000	„	1st June, 1st Dec.	1st Jan. 1972.
1912 „ ..	1,10,00,000	„	1st Feb., 1st Aug.	1st Feb. 1973.
*1913 (47 yrs.) ..	14,35,876	„	1st April, 1st Oct.	31st March 1960.
1913 (60 yrs.) ..	80,00,000	„	1st Jan., 1st July.	1st Jan. 1974.
1914 („) ..	88,25,000	„	1st April, 1st Oct.	1st Jan. 1975.
1914 (30 yrs.) ..	38,75,000	„	1st May, 1st Nov.	1st Nov. 1944.
*1915 (45 „) ..	10,00,000	„	1st April, 1st Oct.	31st March 1960.
*1915 (60 „) ..	55,00,000	„	1st June, 1st Dec.	5th Oct. 1975.
*1922 (37½ „) ..	61,61,000	„	1st June, 1st Dec.	31st March 1960.
*1924 (35½ „) ..	11,51,000	„	1st April, 1st Oct.	31st March 1960.
*1926 ($33\frac{5}{12}$ „) ..	10,25,000	3½%	1st May, 1st Nov.	31st March 1960.
*1929 (30 „) ..	35,00,000	„	1st Feb., 1st Aug.	1st Aug. 1959.
*1930 (20 „) ..	38,50,000	4%	1st Jan., 1st July.	1st Jan. 1950.
*1930 (30 „) ..	12,50,000	3½%	1st May, 1st Nov.	1st Nov. 1960.
*1931 (30 „) ..	12,50,000	„	„ „	1st Nov. 1961.
*1932 (30 „) ..	13,50,000	„	1st March, 1st Sept.	1st Sept. 1962.
*1935 (40 yrs.) ..	24,58,000	3¾%	30th March, 30th Sept.	30th March 1975.
*1936 (30 „) ..	15,00,000	„	1st March, 1st Sept.	1st March 1966.
*1936 (23½ „) ..	48,04,000	3½%	1st April, 1st Oct.	1st April 1960.
*1938 (30 yrs.) ..	10,00,000	3¾%	15th March, 15th Sept.	15th March 1968.
	10,65,84,876			
Loans in England.				
1909 (30 yrs.) ..	66,66,667† (£500,000)	4%	1st Jan., 1st July.	1st July 1939.
1910 („) ..	66,66,667† (£500,000)	„	„ „	1st July 1940.
1922 („) ..	2,13,33,333† (£1,600,000)	6%	1st Feb., 1st Aug.	1st Aug. 1952.
	3,46,66,667			
Grand Total ..	14,12,51,543			

* Taken up fully by the Trustees.
† Exchange calculated at 1*s.* 6*d.* to the rupee.

PRICES OF GOVERNMENT SECURITIES—1938.

MONTHS.		2½ per cent. Loan. 1948-52.	3 per cent. Loan. 1941.	3 per cent. Loan. 1951-54.	3 per cent. Loan. 1963-65.	3½ per cent. Govt. Paper.	3½ per cent. Loan. 1947-50.	4 per cent. Loans.		4½ per cent. Loan. 1955-60.	5 per cent. Loans.			5½ per cent. Loan. 1938-40.
								1943.	1960-70.		1939-44.	1940-43.	1945-55.	
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Jan.	Highest	100 7 0	103 8 0	102 8 0	....	98 11 0	106 6 0	108 8 0	114 4 0	119 10 0	105 0 0	108 0 0	120 6 0	102 12 0
	Lowest	100 5 0	103 8 0	102 7 0	....	98 2 0	106 4 0	108 6 0	113 12 0	119 4 0	104 10 0	107 10 0	120 0 0	102 10 0
	Average	100 5 6	103 8 0	102 8 0	....	98 6 6	106 4 9	108 7 9	113 15 4	119 7 1	104 13 4	107 13 7	120 4 8	102 10 10
Feb.	Highest	100 8 0	103 9 0	102 14 0	....	99 2 0	106 8 0	108 10 0	114 7 0	119 14 0	104 10 0	107 10 0	119 14 0	102 12 0
	Lowest	100 4 0	103 4 0	102 6 0	....	97 6 0	106 4 0	108 7 0	113 12 0	119 12 0	104 7 0	107 7 0	119 0 0	102 8 0
	Average	100 6 6	103 8 0	102 10 5	....	98 8 7	106 6 5	108 8 11	114 3 4	119 12 11	104 9 5	107 9 3	119 9 9	102 10 7
March	Highest	100 6 0	103 7 0	102 11 0	....	98 12 0	106 5 0	108 7 0	114 10 0	119 10 0	104 7 0	107 8 0	119 6 0	102 7 0
	Lowest	100 1 0	103 0 0	102 2 0	....	96 4 0	105 8 0	108 0 0	113 4 0	118 8 0	104 0 0	107 0 0	118 0 0	102 0 0
	Average	100 4 11	103 3 9	102 7 5	....	98 0 7	106 1 8	108 3 8	114 1 5	119 1 2	104 3 5	107 4 2	118 12 4	102 3 1
April	Highest	100 9 0	103 0 0	103 2 0	....	99 2 0	106 7 0	108 9 0	114 14 0	119 10 0	103 15 0	107 2 0	118 6 0	101 15 0
	Lowest	100 6 0	102 14 0	102 6 0	....	97 12 0	106 1 0	108 0 0	114 0 0	119 2 0	103 11 0	106 15 0	118 3 0	101 10 0
	Average	100 7 9	102 15 5	102 14 2	....	98 9 1	106 4 3	108 5 1	114 8 9	119 6 8	103 13 3	107 0 10	118 4 11	101 12 11
May	Highest	100 8 0	102 14 0	103 4 0	....	99 3 0	106 4 0	108 8 0	114 9 0	119 12 0	104 0 0	107 2 0	118 4 0	101 12 0
	Lowest	100 3 0	102 11 0	102 11 0	....	98 9 0	106 1 0	108 4 0	113 6 0	119 8 0	103 8 0	106 15 0	117 14 0	101 5 0
	Average	100 5 4	102 12 4	102 15 5	....	98 14 0	106 2 3	108 5 11	114 0 0	119 11 8	103 10 10	107 0 9	118 0 9	101 8 4
June	Highest	100 4 0	102 15 0	102 13 0	98 4 0	99 1 0	106 4 0	108 7 0	113 7 0	119 12 0	103 10 0	106 15 0	117 14 0	101 5 0
	Lowest	100 3 0	102 11 0	102 11 0	98 2 0	98 5 0	106 2 0	108 5 0	113 3 0	119 8 0	103 8 0	106 13 0	117 11 0	101 2 0
	Average	100 3 11	102 13 1	102 12 4	98 2 9	98 9 7	106 2 7	108 6 2	113 4 9	119 10 8	103 8 10	106 14 1	117 12 10	101 3 6
July	Highest	100 7 0	103 5 0	102 12 0	98 5 0	99 6 0	106 7 0	108 10 0	112 15 0	119 8 0	103 7 0	106 13 0	118 3 0	101 2 0
	Lowest	100 4 0	102 15 0	102 11 0	98 2 0	98 7 6	106 4 0	108 6 0	112 13 0	119 6 0	103 6 0	106 12 0	117 13 0	100 13 0
	Average	100 5 5	103 3 0	102 11 8	98 3 7	99 1 0	106 5 4	108 8 4	112 14 3	119 6 6	103 6 11	106 12 8	118 0 6	100 15 4
Aug.	Highest	100 10 0	103 5 0	102 12 0	98 6 0	99 8 0	106 8 0	108 10 0	112 15 0	119 6 0	103 6 0	106 12 0	118 3 0	100 13 0
	Lowest	100 7 0	103 4 0	102 11 0	98 4 0	98 13 0	106 6 0	108 10 0	112 13 0	119 6 0	103 2 0	106 11 0	117 14 0	100 7 0
	Average	100 8 0	103 4 11	102 11 10	98 4 11	99 3 10	106 7 6	108 10 0	112 13 11	119 6 0	103 4 10	106 11 8	118 0 8	100 10 10
Sept.	Highest	100 8 0	103 5 0	102 12 0	98 5 0	99 2 0	106 6 0	108 10 0	112 13 0	119 6 0	103 2 0	106 11 0	117 14 0	100 7 0
	Lowest	98 0 0	101 4 0	100 8 0	96 4 0	90 6 0	103 0 0	106 12 0	107 8 0	114 0 0	102 0 0	105 8 0	111 0 0	100 0 6
	Average	99 12 2	102 12 0	101 15 10	97 9 3	96 13 8	105 3 3	107 15 8	111 0 7	117 10 6	102 12 2	106 4 1	115 13 1	100 2 3
Oct.	Highest	100 0 0	103 4 0	102 0 0	98 4 0	98 14 0	105 10 0	108 10 0	112 4 0	118 10 0	102 13 0	106 5 0	117 4 0	..
	Lowest	99 0 0	102 10 0	101 9 0	97 10 0	97 14 0	105 0 0	107 10 0	111 14 0	116 0 0	102 8 0	105 12 0	116 0 0	..
	Average	99 11 5	103 0 11	101 12 11	98 1 8	98 3 2	105 6 7	108 7 0	112 0 5	118 2 10	102 11 5	106 2 3	116 14 3	..
Nov.	Highest	99 11 0	102 14 0	101 9 0	98 5 0	98 8 0	105 6 0	108 6 0	111 14 0	119 0 0	102 9 0	106 3 0	116 14 0	..
	Lowest	99 8 0	102 13 0	101 8 0	98 2 0	98 0 0	105 3 0	108 4 0	111 2 0	118 8 0	102 4 0	106 0 0	116 10 0	..
	Average	99 9 4	102 13 6	101 8 4	98 2 3	98 4 11	105 4 3	108 4 10	111 6 4	118 13 7	102 5 11	106 1 9	116 11 8	..
Dec.	Highest	99 8 0	102 14 0	101 7 0	98 2 0	98 9 0	105 3 0	108 5 0	111 5 0	119 0 0	102 4 0	105 15 0	116 10 0	..
	Lowest	99 4 0	102 13 0	101 5 0	97 15 0	98 3 0	105 1 0	108 4 0	111 2 0	118 12 0	101 11 0	105 0 0	115 12 0	..
	Average	99 7 3	102 13 1	101 6 8	98 1 2	98 6 5	105 2 1	108 4 11	111 3 8	118 15 10	101 15 11	105 7 5	116 3 2	..
Highest for the year ..		**100 10 0**	**103 9 0**	**103 4 0**	**98 6 0**	**99 8 0**	**106 8 0**	**108 10 0**	**114 14 0**	**119 14 0**	**105 0 0**	**108 0 0**	**120 6 0**	**102 12 0**
Lowest „ „ ..		**98 0 0**	**101 4 0**	**100 8 0**	**96 4 0**	**90 6 0**	**103 0 0**	**106 12 0**	**107 8 0**	**114 0 0**	**102 0 0**	**105 8 0**	**111 0 0**	**100 0 0**
Average „ „ ..		**100 1 11**	**103 1 0**	**102 5 11**	**98 1 4**	**98 6 9**	**105 14 11**	**108 6 0**	**112 15 5**	**119 2 1**	**103 7 0**	**106 12 2**	**117 14 0**	**101 8 8**

BANK RATE CHANGES.

BANK OF BOMBAY.

		Per cent.
1902.		
January	9	6
Do.	16	7
February	13	8
March	27	7
April	10	6
May	1	5
June	19	4
July	17	3
November	6	4
December	23	5
Average		**4·778**
1903.		
January	15	6
Do.	29	7
February	19	8
March	12	7
April	16	6
May	14	7
Do.	21	8
June	4	7
Do.	18	6
Do.	25	5
July	2	4
August	20	3
December	10	4
Do.	17	5
Do.	30	6
Average		**5·082**
1904.		
February	11	7
Do.	25	6
March	10	5
May	19	4
June	16	3
December	13	4
Do.	20	5
Average		**4·147**
1905.		
February	2	6
Do.	16	7
March	9	8
Do.	30	7
April	6	6
Do.	14	5
July	6	4
Do.	27	3
August	10	4
November	23	5
Do.	30	6
December	14	7
Average		**5·101**
1906.		
January	4	8
February	1	9
March	15	8
Do.	22	7
Do.	29	6
April	26	7
May	24	6
June	21	5
July	12	4
Do.	19	3
August	9	4
September	12	5
November	15	6
Do.	22	7
Do.	29	8
December	13	9
Average		**6·263**

		Per cent.
1907.		
March	7	8
May	2	7
Do.	9	6
June	6	7
Do.	20	6
Do.	27	5
July	4	4
August	1	3
September	26	4
November	7	5
December	12	6
Average		**5·939**
1908.		
January	3	7
Do.	9	8
February	6	9
March	19	8
Do.	26	7
April	16	8
May	28	7
June	25	6
July	2	5
Do.	16	4
Do.	23	3
October	22	4
November	5	5
December	10	6
Average		**5·920**
1909.		
January	14	7
May	13	6
June	3	5
Do.	24	4
July	15	3
November	4	4
Do.	18	5
Do.	25	6
Average		**5·137**
1910.		
March	3	7
May	12	6
June	2	5
Do.	23	4
July	7	3
October	6	4
November	3	5
Do.	17	6
December	15	7
Average		**5·164**
1911.		
May	18	6
June	1	5
Do.	21	4
July	13	3
October	19	4
December	21	5
Average		**5·019**

		Per cent.
1912.		
January	11	6
Do.	18	7
February	1	8
Do.	22	7
March	20	6
May	9	5
June	13	4
July	11	3
October	3	4
November	14	5
Do.	28	6
December	12	7
Do.	27	8
Average		**5·062**
1913.		
April	3	7
May	29	6
June	12	5
July	3	4
Do.	17	3
August	7	4
September	10	5
October	10	6
Do.	31	5
Average		**5·912**
1914.		
January	15	6
May	21	5
June	4	4
Do.	25	3
August	6	4
Do.	13	5
Do.	20	6
Average		**5·405**
1915.		
June	2	5
November	4	6
Average		**5·575**
1916.		
January	6	7
Do.	13	8
April	13	7
May	25	6
June	15	5
July	13	4
August	17	5
October	5	6
November	23	7
Do.	30	8
Average		**6·423**
1917.		
February	22	7
March	15	6
August	23	5
December	6	6
Average		**6·054**

		Per cent.
1918.		
May	23	5
November	7	6
Average		**5·539**
1919.		
January	16	7
March	7	6
June	12	5
Average		**5·580**
1920.		
January	22	6
February	5	7
April	8	8
Do.	22	9
May	13	8
Do.	27	7
June	16	6
July	29	5
November	4	6
Do.	12	7
Average		**6·363**

IMPERIAL BANK.

1921.		
March	3	6
June	2	5
December	15	6
Do.	29	7
Average		**5·638**
1922.		
February	16	8
April	27	7
June	1	6
Do.	15	5
July	6	4
October	26	5
December	14	6
Do.	28	7
Average		**5·810**
1923.		
January	11	8
May	25	7
Do.	31	6
June	7	5
Do.	28	4
November	15	5
Do.	29	6
December	20	7
Average		**5·947**
1924.		
January	3	8
February	14	9
April	10	8
May	29	7
June	19	6
July	3	5
Do.	31	4
August	21	5
October	16	6
Average		**6·674**
1925.		
January	22	7
May	21	6
June	18	5
July	2	4
September	24	5
December	3	6
Average		**5·635**

		Per cent.
1926.		
May	20	5
June	10	4
Average		**4·819**
1927.		
January	1	5
Do.	13	6
February	10	7
June	2	6
Do.	23	5
July	28	4
September	8	5
December	8	6
Do.	22	7
Average		**5·726**
1928.		
June	21	6
July	19	5
November	15	6
December	13	7
Average		**6·196**
1929.		
February	14	8
April	11	7
May	9	6
June	6	5
October	10	6
Do.	31	7
Average		**6·323**
1930.		
April	3	6
July	10	5
November	20	6
Average		**5·887**
1931.		
January	15	7
May	28	6
August	6	7
September	22	8
Average		**7·046**
1932.		
January	14	7
February	24	6
April	28	5
July	7	4
Average		**5·019**
1933.		
February	16	3½
Average		**3·563**
1934.		
Throughout the year		3½

RESERVE BANK OF INDIA.

1935.		
November	28	3
Average		**3·454**
1936.		
Throughout the year		3
1937.		
Throughout the year		3
1938.		
Throughout the year		3

COTTON MILLS.

Name of Company.	No. of Spindles.		No. of Looms.		Price during boom period 1920-21.	Quotations in 1938.		Intrinsic Value.* Less Depreciation.	Quotation at the close of year (23-12-38).
	Installed.	At work.	Installed.	At work.		Highest.	Lowest.		
					Rs.	Rs. As.	Rs. As.	Rs.	Rs. As.
Ahmedabad Advance	44,224	43,856	1,016	973	3,300	440	338-12	350	420
Bombay Dyeing † ..	181,488	165,068	4,802	4,742	4,395	1,013-12	762-8	1,338	875
Central India † ..	114,956	110,201	2,166	2,100	6,400	277-8	207-8	252	234-8
Century	104,160	96,800	3,048	2,963	1,545	314	208-12	317	239-8
Colaba Land	34,000	32,610	695	688	3,800	247-8	126-4	152	141-8
Coorla	23,828	21,826	719	713	340	100	92-8	155	92-8
Dawn	42,264	40,673	..	..	1,800	390	320	1,069	320
Finlay	46,072	42,981	784	767	1,845	148-12	114	110	118-12
Khatau	58,900	54,719	1,536	1,500	920	130	100	187	117-8
Kohinoor †	87,384	78,377	1,552	1,498	4,800	363-12	238-12	380	259
Laxmi Cotton ..	45,792	45,186	1,192	1,137	5,250	575	461-4	636	515
Morarji Goculdas ..	57,432	48,545	1,665	1,570	8,000	146-8	130	387	135
New City	45,944	45,446	432	431	1,040	130	76-4	114	130
New Great	46,884	45,907	1,029	1,026	1,375	291-4	178-12	380	217-8
Phœnix	54,244	50,538	728	690	1,430	253-12	220	529	223
Sholapur	111,360	99,109	2,234	2,220	18,500	3,475	1,800	16,234	3,225
Simplex †	38,084	30,572	1,298	1,149	1,335	102-8	65	108	77-12
Swan	38,428	25,512	528	525	1,700	112	97-13	106	112
Swadeshi †	69,724	60,676	2,150	1,864	6,030	270	173-12	252	218
Vishnu Cotton ..	49,392	49,020	1,461	1,431	2,375	1,320	1,157-8	716	1,210

* The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

† Depreciation in these is taken at 25 % of the total block value.

JUTE MILLS.

Name of Company.	Number of Looms.	Quotations 1917 to 1938.		Quotations in 1938.		Intrinsic Value.	Quotations at the close of year. (22-12-38).
		Highest.	Lowest.	Highest.	Lowest.		
		Rs. As.	Rs. As.	Rs. As.	Rs. As.	Rs.	Rs. As.
*Albion	498	635	130	210	160	266	180
*Alliance	1,264	922	140	212	159	388	200
*Anglo-India	2,561	573	110	320	247	368	294
*Auckland	810	515	107	180	125	175	155
*Bally	959	369-8	77	178	122	257	151
*Barnagore	1,905	347	72	137	101	212	125
*Belvedere	820	785	220	350	272	327	324
*Budge Budge ..	991	820	195	274	205	379	250
*Caledonian	616	860	218	385	285	438	345
*Clive	969	79-8	16	23-10	16-12	31	20-12
*Dalhousie	766	832	195	325	250	372	295
*Delta	779	870	220	392	295	417	350
Empire	500	99	17-8	25-8	17-8	34	21-8
*Fort Gloster	1,884	1,565	265	470	335	786	440
*Fort William ..	1,014	620	107	222	151	435	203
Gondalpara	610	1,600	500	720	560	1,203	610
*Gourepore	1,394	1,670	180	555	420	566	512
*Howrah	1,941	70-10	23	51-14	34-6	71	49-6
*Hooghly	720	175	35-8	44	35-8	113	42
*Kamarhatty	1,797	1,198	226	482	346	437	454
*Kanknarrah	1,527	905	238	375	273	348	340
*Kelvin	703	1,460	370	490	370	640	440
*Khardah	1,530	760	230	320	235	291	310
*Kinnison	1,250	1,810	378	588	445	664	515
*Lansdowne	931	626	70	158	118-8	213	138
*Lawrence	840	1,060	220	380	300	540	325
*Lothian	558	705	125	210	164	296	188
Naihatty	815	900	200	325	250	428	287
*New Central	709	1,055	215	288	215	413	255
*Northbrook	567	113	25-8	36	26-4	48	30-8
*Reliance	1,276	101	20-8	64-8	48-12	59	56
*Standard	650	933	185	275	206-8	335	235
*Union	1,326	1,280	237	375	265	600	328

* The intrinsic value is arrived at by valuing each loom at Rs. 5,000, after adding liquid assets and deducting liabilities.

NUMBER AND PAID-UP CAPITAL OF DIFFERENT CLASSES OF COMPANIES AT WORK IN INDIA AT THE END OF EACH YEAR.

(Rupees 00,000's omitted.)

Years.	Total number of Companies.	Total paid up Capital.	Banking, Loan and Insurance.		Transit, Trading and Manufacturing.		Mills and Presses.		Tea and other Planting Cos.		Mining and quarrying.		Sugar.		Others.	
			No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.
1920-21 ..	4,708	1,64,46	829	21,66	2,043	61,05	717	48,47	512	9,06	363	16,65	40	1,24	201	6,34
1921-22 ..	5,189	2,30,55	916	30,42	2,351	84,01	740	64,82	519	9,87	386	31,66	46	2,03	231	7,74
1922-23 ..	5,190	2,59,79	893	22,97	2,352	96,09	755	72,56	500	10,01	374	40,18	44	1,71	272	16,22
1923-24 ..	5,211	2,65,33	958	19,16	2,350	1,00,76	748	74,66	489	10,06	364	41,77	42	1,92	260	18,92
1924-25 ..	5,204	2,75,53	1,002	20,49	2,289	1,09,96	739	74,22	500	10,82	358	41,56	46	1,93	270	15,75
1925-26 ..	5,305	2,76,96	1,061	19,88	2,307	1,10,53	738	75,60	515	11,46	344	41,83	40	2,03	300	18,44
1926-27 ..	5,526	2,76,91	1,263	25,38	2,351	1,08,97	738	72,26	544	11,92	338	41,96	36	1,82	256	14,64
1927-28 ..	5,830	2,76,44	1,448	25,41	2,433	1,10,04	741	71,36	575	12,88	330	40,04	36	1,87	267	14,83
1928-29 ..	6,330	2,79,31	1,721	26,82	2,602	1,10,08	754	71,98	604	13,53	327	40,21	35	1,96	287	14,73
1929-30 ..	6,919	2,86,34	2,025	28,47	2,815	1,13,33	761	71,60	618	13,91	335	39,55	32	1,92	333	17,56
1930-31 ..	7,328	2,82,68	2,215	28,19	3,006	1,16,06	764	67,73	608	15,55	333	38,81	34	2,04	368	14,29
1931-32 ..	7,997	2,85,90	2,629	29,00	3,206	1,17,31	786	68,40	601	15,54	331	39,01	48	2,04	396	14,59
1932-33 ..	8,715	2,86,47	3,025	29,17	3,441	1,13,89	790	70,03	586	15,68	325	38,97	110	2,45	438	16,28
1933-34 ..	9,434	3,00,80	2,972	34,60	3,948	1,17,56	845	70,09	614	16,39	384	40,56	156	4,46	515	17,14
1934-35 ..	9,842	3,04,04	2,965	36,81	42,58	1,19,42	874	68,88	610	1,632	391	3,992	178	6,71	566	15,98
1935-36	Not available.															
1936-37																
1937-38																

NOTE :—

"*Transit, Trading and Mfg.*" :—Navigation, Rlys., Tramways, Landing and Warehousing, Printing, Publishing and Stationery, Public Service Co., etc., etc.

"*Mills and Presses.*" :—Cotton, Jute, Silk, Wool etc., Rice, Flour, Oil, Saw and Timber, etc.

"*Others.*" :—Land and Building, Ice, Breweries, etc., etc.

Source of information "Joint Stock Companies Annual."

NUMBER AND CAPITAL OF NEW COMPANIES REGISTERED IN INDIA AND THOSE THAT HAVE CEASED TO WORK.

POSITION AS AT THE END OF EACH YEAR FROM 1920-21 TO 1937-38.

In Rupees

(00,000's omitted.)

Years.	Number of new Companies registered.	Authorised Capital.	Paid-up Capital.	No. of Companies ceased to work.	Authorised Capital.	Paid-up Capital.
1920-21	987	1,47,23	3,12	137	14,15	4,09
1921-22	717	80,84	1,90	220	30,46	1,98
1922-23	496	34,42	1,48	524	88,29	8,25
1923-24	430	26,50	67	411	52,90	14,16
1924-25	416	21,23	86	427	49,00	7,21
1925-26	472	30,06	57	374	28,61	6,81
1926-27	529	19,39	44	309	26,82	5,87
1927-28	626	17,57	86	335	23,73	7,64
1928-29	726	27,38	78	229	13,72	5,49
1929-30	839	62,55	2,39	264	23,04	3,33
1930-31	731	21,56	83	292	37,84	11,12
1931-32	922	30,36	33	225	14,67	3,51
1932-33	1,087	30,71	31	361	20,33	3,43
1933-34	878	57,08	88	737	37,15	12,07
1934-35	973	43,18	52	608	26,21	4,40
1935-36	1,027	51,36	38	855	16,79	4,81
1936-37	1,210	1,10,51	68	662	36,59	5,76
1937-38	986	53,12	7	604	29,32	6,81

NOTE.—The total number of Companies limited by shares, which were incorporated in India upto 1920-21 under the laws relating to the registration of Companies was 10,061. Of these 4,708 were working at the end of the year 1920-21, the remainder, 5,353, were either wound up, or discontinued or never commenced business.

Source of information :—Upto 1934-35 "Joint Stock Companies Annual," and afterwards Monthly issues.

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ANNUAL MARKET REVIEW

1939

PREMCHAND ROYCHAND & SONS, LIMITED,
BOMBAY.

ANNUAL MARKET REVIEW.
1939.

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RETROSPECT AND PROSPECT.

1939 will not go down in history as a year noted for athletic records, medical or scientific discoveries, great works of literature or other achievements in the realm of the intellect, muscle or spirit. It will be referred to by historians of the future as a year in which men turned or were forced to turn their attention almost exclusively to politics. Almost immediately after Germany had been "appeased" at Munich in September 1938 Signor Mussolini began to voice his country's demands for Tunis and Corsica and the visit of the British Prime Minister and Foreign Secretary to Rome early in the New Year failed to make the atmosphere any clearer and was at best a negative triumph. Before January was out Great Britain was faced with the menace of I.R.A. bomb outrages at home and early in February the Italian Dictator was more vociferous than ever about his country's demands on France. With the fall of Barcelona in mid-February the Spanish Civil War which cost over a million lives was nearly over and Madrid surrendered to General Franco barely six weeks later. But the crushing blow to appeasement came in March when Adolf Hitler commanded his armies to march into defenceless Bohemia and Moravia and annexed the remnants of dismembered Czechoslovakia to the Reich. A week later Memel, in Lithuania, was also added to the land empire of Germany. While hasty consultations between Great Britain and France and the subsequent joint guarantee to Poland checked German expansion for the time being, it left Italy an open door to walk into Albania which along with its oil deposits was annexed to the Empire of King Victor Emanuel II early in April. The next three months were crowded with diplomatic activity which ended up with Anglo-French guarantees to Rumania and Greece and a pact with Turkey. Simultaneously, Great Britain was pushing forward her defence preparations at an accelerated pace by introducing military conscription and mobilising her air and naval reserves. Tension in the Far East over the Tientsin dispute momentarily diverted public attention from the European theatre, but one August night the limelight was once again focussed on Europe by the action of a man whose domain lies mostly outside Europe. The announcement of the Russian trade pact and non-aggression pact, not with Great Britain, not with France, but with Germany was a diplomatic step which was literally world-shattering. It gave Germany the requisite safety on her Eastern front to make bold to face a war in the west. With it, the present war began, and it marked the final failure of the long struggle to win permanent peace.

Historians of the future generation will undoubtedly be able to judge the events of 1939 in a better perspective than we can, but whatever be their ultimate conclusion, they can hardly avoid classifying the past year as one of the saddest in the history of mankind. A year in which reason and justice were subordinated to the animal instinct in man and the lust for power and possession exposed

not only the fighting forces of the belligerent nations but also the civilian populations, and even innocent women and children to the ravages and tortures of modern warfare. A year which put an end to all that humanity had hoped for, prayed for and worked for.

International Trade and Credits—Pre-War.

Estimating the economic prospect a year ago we had said that " International tension was the dominant factor in all markets in 1938, and it seems probable that the same comment may be equally applicable to 1939." Events have shown that International Politics had the predominating influence on all economic activity. Even during the first eight months of the year, when we were fighting a war of nerves, International trade and commerce were largely influenced by non-economic factors and the transition, last Autumn, from war of nerves to war of guns has further subordinated purely economic influences to political and strategic factors. The formation under political influence, and at times even under pressure of arms, of economic blocks and currency blocks has been resorted to by the important industrial countries of the world for the past few years and the conflicting trade policies of these rival groups have ignored the most fundamental of economic laws. Commenting on this change in the nature of International trade the " League of Nations World Economic Survey for 1938-39 " says " The depression of economic activity during the post—1929 slump and, more recently, considerations of political strategy and of national defence have led to methods of commercial protection and regulation which have caused a partial disintegration of world export markets. Before 1929, national markets were, in many cases, protected by high tariffs ; but the absence of exchange controls and of clearings, the relative scarcity of quantitative restrictions upon imports, and the general avoidance of tariff discrimination gave rise to comparatively well integrated world markets for the majority of exportable products."

Trade with " Economic Blocs " as a percentage of total trade of certain countries.

Country.	" Economic Bloc."	Imports from " Economic Bloc " as a percentage of country's total imports.		Exports to " Economic Bloc " as a percentage of country's total exports.	
		1929.	1938.	1929.	1938.
United Kingdom*	British Commonwealth, colonies, protectorates, etc.	30	42	44	50
	Other countries of the " Sterling bloc " **.	12	13	7	12
France	French colonies, protectorates and mandated territories	12	27	19	27·5
Belgium	Belgium Congo	4	8	3	2
Netherlands	Netherlands oversea territories	5·5	9	9	11
Italy	Italian colonies and Ethiopia	0·5	2	2	23
Portugal	Portuguese oversea territories	8	10	13	12
Japan*	Korea, Formosa, Kwantung, Manchuria	20	41	24	55
Germany	Six countries of South Eastern Europe***.	4·5	12	5	13
	Latin America	12	16	8	11·5

* General trade.

** Sweden, Norway, Finland, Denmark, Egypt, Estonia, Latavia, Portugal, Thailand and Iraq.

*** Bulgaria, Greece, Hungary, Roumania, Turkey and Yugoslavia.

" The subsequent disintegration of world markets is well illustrated by the tendency to form more or less clearly defined ' economic blocs ' of countries with which the principal trading nations have specially close economic ties. As the above table shows, empire trade has become more important in the cases of such countries as the United Kingdom, France, the Netherlands and Italy. Such trade has been encouraged by preferential treatment, such, for example, as the preferential tariffs developed in the British Empire by the Ottawa Agreement of 1932. But it is not only imperial trade which has been encouraged in this way. Currency blocs, such as the " sterling bloc," have encouraged trade between certain countries; for currency stability itself stimulates trade and successful and effective commercial agreements are more easily effected between the members of such currency groups."

" At the same time, the institution of exchange controls and of exchange clearings has led to a stimulation of bilaterally balanced trade between the countries which have adopted these measures. By various methods Germany has promoted her trade with South-Eastern Europe and with certain countries of Latin America; and, as the table shows, these blocs of controlled trade have grown considerably in importance to Germany. Similarly, the importance of trade with the " yen bloc " has grown in the case of Japan, both because of the existence of common currency arrangements and also because of the control of foreign exchanges and of trade movements between this area and the rest of the world. These developments have much reduced the scope of multilateral trade."

International lending has also been predominantly influenced by political loyalties between the borrowing and the lending countries and in a large number of cases has taken the form of governmental credits which were more than often granted for extra-economic considerations. Here again the " World Economic Survey " points out that whereas up to 1931 there had been a considerable flow of long-term capital from the creditor to the debtor countries, and a considerable volume of international trade was financed through these capital movements, recently " there has been little, if any, revival of this form of international capital movements and the main movements of capital in recent years have been short-term movements of ' hot money ' between the main creditor countries themselves. But, in the course of 1937 and 1938, there has been a considerable extension of international lending in the form of loans and credits granted by Governments or guaranteed by Governments, both for the purpose of encouraging export trade and also, in some cases, for non-commercial reasons. These credits have, in many cases, taken the form of export credit guarantees." The British Export Credit Guarantee Department has, for example, utilised its powers to extend assistance in this form to Turkey, Greece, Roumania, China, and New Zealand. Both the British and French Governments extended similar aid to the now defunct State of Poland, while the United States of America has also used the method of granting credits in order to support her foreign trade. Furthermore, many credits have been arranged through the American Export-Import Bank, instituted for this purpose. Export credit guarantees are also used in one form or another by various European countries including Germany and Belgium, and it appears safe to assume that future international lending will be restricted mainly to this channel; Governments to that extent accepting the risks involved instead of individual investors, this form of investment representing a natural corollary of the increasing degree of official control over trade and investment alike. Export credit guarantees were also used by some lender

countries to influence the foreign policies of the borrowing states and the pressure brought to bear on some South American countries by Germany during the Pan-American Conference is an outstanding example.

Whether the post-war period will bring a relaxation of the autarchic tendencies, economic and political, can be decided only by the course of events. For the intensive development of domestic resources in each country there is everything to be said, for only along that road can world production attain maximum levels, and standards of living be raised to the degree rendered attainable by modern science and economic capacity. In recent years, the distortion and semi-destruction of international trade has come mainly, not from the general extension of industrial capacity throughout the world—a movement not yet complete—but from the diversion of so large a percentage of the increased output of materials from humanitarian purposes to warlike programmes which have now reached their inevitable culmination in the present conflict.

International Trade and Credits—Post-War.

If the economic and financial history of the past year is now of little more than historical interest, the outlook for the same reason remains wholly conjectural. Since September, world trade has resolved itself into at least three distinct catagories. The first one includes the trade of neutral countries with other neutrals; the second one comprises of the trade of neutral countries with belligerents and the third consists of the trade of belligerents with their empires and their allies.

War has perhaps had the least detrimental effect on the trade between neutral countries but even so, difficulties of transport—particularly ocean transport—and insurance difficulties together with the delay involved in the carrying of goods due to deviation of sea routes and due to examination by the contraband control system of the belligerents is inducing and in some cases compelling neutral countries to trade with their nearest neighbours even on sacrificial terms. On the other hand, the trade of some neutral countries, such as Italy, has increased in volume, owing to their proximity to Germany and France but this increase is largely in the *entrepot* trade.

The trade of neutral countries with the belligerents is largely dependent on the geographical position of the neutral countries and their political and strategic importance. The smaller and weaker states have had to adjust their commerce according to the wishes and needs of their strongest neighbour. The Scandinavian and Eastern European States and countries of the near-east have been compelled to divert their exports, and consequently, obtain items of import from their most powerful neighbour. The latest example is Roumania which had to sign a new trade agreement with Germany increasing the yearly sale of Roumanian oil to Germany from 1,200,000 tons to 1,820,000 tons and also had to devalue the Roumanian currency by nearly one-fourth in relation to the German *aski* mark. On the other hand, stronger nations such as the United States, Japan, and Italy have been able to formulate and carry out their own trade policies, independently of the above factors.

The United States is by far the most powerful country in the neutral bloc, and moreover, it is the largest source of supply of war material to-day. In 1914-18 American loans to external borrowers totalled 8,800 million dollars, while concurrently European nations realised 3,000 million dollars of

their American assets, but because of the ' cash and carry ' legislation United States trade with the belligerents in this war cannot possibly attain the proportions it did in 1914-18. It is, however, unquestionably a considerable advantage to the Allies, insofar as they have greater liquid financial resources than Germany, to have the opportunity, on the ' cash and carry ' basis, to supplement their own munition-outputs by occasional access to America's immense productive capacity ; since the present conflict seems likely to be determined as much by machine-power as by man-power. In view of this, it would perhaps be worthwhile examining at this juncture the estimate made by the Federal Reserve Board of the assets of various belligerent countries in forms which could with reasonable readiness and certainty be converted into dollars. The figures are summarised below :

Holdings of Gold, Dollar Balances and American Investments, Aug. 1939.

	(In million dollars).					
	1. Gold Reserves.	2. Dollar Balances.	3. Securities Market value.	Total 1 to 3.	Direct investments.	Grand total.
United Kingdom ..	2,000	595	735	3,330	900	4,230
France..	3,000	315	185	3,500	80	3,580
Canada	215	355	500	1,070	560	1,630
Other British and French countries ..	540	....	....	540	....	540
Total Allies	5,755	1,265	1,420	8,440	1,540	9,980
Germany	150	10	....	160	....	160

(*Direct investments are those that are not in negotiable form*)

In this authoritative estimate the total for the United Kingdom, it will be observed, comes to the dollar equivalent of about £1,050 million only in United States securities ; whereas, in addition, there are available considerable British holdings of non-American securities, including Canadian industrials, gold mines, rubber and tin companies which would probably appeal to American investors. The Federal Reserve Board also gives the following significant comparison of gold and dollar resources now and in 1914 (in millions of dollars).

	1914.	1939.
United Kingdom	2,765—3,965	4,230
France	1,080—1,280	3,580
Canada	115	1,630
Germany..	1,030—1,330	160
Netherlands	660—860	1,780
All others	2,450—2,550	8,420
Totals	8,100—10,100	19,800

It would appear from the above figures that whereas the Allies command the financial resources required to enable them to buy in fair quantities from America, Germany lacks ability either to finance or transport munitions from America. Even Allied purchases, however, will not be and cannot be on a scale comparable with 1914-18 purchases and consequently, Great Britain and France, are extending their own production on a vast scale, and, secondly, as far as practicable, are taking supplies from their own oversea territories.

And this brings us to the third category, the trade of belligerents with their Empires and their Allies. The consideration of Germany's trade with her land Empire and her latest Ally—Soviet Russia—is difficult in the absence of reliable data. The only information available about Russo-German trade is that derived from the trade pact announced by the two countries on August 20th, 1939. According to this announcement Germany would give the Soviet Union seven year 5 per cent. credits amounting to 200,000,000 marks for German machinery and armaments and would buy from the Soviet Union 180,000,000 marks worth of wheat, timber, iron ore and petroleum in the next two years.

France is undoubtedly getting a steady supply of certain raw materials from her colonies but Great Britain is in a much happier position in this respect. Her Colonies, Dominions and the Indian Empire are sending her a constant stream not only of raw materials but also of manufactured and semi-manufactured goods. The industrial progress in the last quarter of a century of the Dominions, and more so India, although a source of anxiety to certain British industries, is now affording a vital contribution to Imperial Defence. The only doubt arising is whether these newly developed capacities are being utilised as freely and fully as circumstances warrant. India, with her infinite natural resources and vast supply of man-power, can increase her productive capacity in many directions if only she is assured that her newly developed capacities will be fully utilised by judicious direction of the Allies war expenditure, and that the new industries will continue to receive if not the patronage of Great Britain at least adequate guarantee from the British Government in India of protection against indiscriminate foreign competition and oppressive internal taxation. The first few months of the war, however, have shown no improvement in this direction. Not only new ventures but even old established industries of the country have failed to receive governmental encouragement and have in fact been crippled to some extent by unduly heavy taxation.

It need hardly be said that it is to Great Britain's own advantage to buy as much of her supplies from her Empire as is possible. Purchases from the Empire can be paid for in sterling which though readily acceptable to the Empire countries is not so easily acceptable to some other countries like the United States. Moreover, all the important countries of the Empire are debtor countries in relation to Great Britain and the accumulated sterling balances can be utilised by them to repatriate their sterling debt. If skillfully deployed, therefore, British war expenditure can be utilised to give a new and firmer foundation to Empire finance. In order to clarify this suggestion, it is necessary to include in our survey a reference to the expected incidence of war expenditure on Britain's oversea investments.

British Investments and War Finance.

To the solution of war finance problems, especially the financing of essential war-time imports, it is generally agreed that Great Britain's oversea investments, as in 1914-18, will make a decisive contribution. This may be made in two ways; by the income from such securities, and by the reserve purchasing power represented by their capital value as marketable assets. Income from such securities as are known to the London market has averaged about £160 million during the past five years. For 1938, Sir Robert Kindersley's estimate is nearly £165 million. As this sum represents a relatively small contribution to British war expenditure (indeed at £6 million a day less than one month's outlay) Mr. Keynes' estimate that £1,000 million worth of these securities are easily realisable becomes of some practical importance; nor is there any contradiction of this calculation in the analysis supplied by Sir Robert Kindersley who computes the nominal value of British oversea investments in quoted securities at £3,292 million. This total comprises £1,398 million in oversea Government and Municipal bonds, £1,200 million in British companies abroad, and £685 million in foreign and Dominion companies. More than 70 per cent. consist either of sterling bonds of oversea Governments or securities of British companies operating abroad; and, it is considered, few if any of these securities have a ready market outside the United Kingdom. The remaining 30 per cent. however, would give a total of readily realisable securities of a market value not far short of £1,000 million. Of special importance are British holdings of Empire securities which in recent years have fluctuated as follows:

(In £000,000)

	1938	1930
Australia	430	432
India and Ceylon	245	261
Canada and Newfoundland	116	97
South Africa & Rhodesia	109	118
New Zealand	122	110
Other British Areas	59	65
Total Empire	1,081	1,083

Although the average rate of interest payable on foreign bonds is considerably higher than on Empire loans, the average rate actually paid was only 3 per cent. in 1938, compared with 3.9 per cent. on Empire loans. Of a total of £52.3 million of income received from these investments in 1938, 81.6 per cent. came from the Empire, against 71.8 per cent. in 1929.

War Finance and Empire Securities.

Whether British holdings of Empire securities will remain intact depends primarily on the duration and cost of the war and secondarily, on the financial policy pursued. The emergence of the United States of America, as a creditor country, was perhaps the most significant financial consequence of the World War of 1914-18. And, in the event of the present conflict lasting for a comparable period, it is not inconceivable that a transformation of equal importance may be brought about in the financial status of India and the Dominions. In recent years, the Dominions and to a lesser extent India have progressed towards industrial self-sufficiency, which will probably be further advanced as a corollary of the present war. Financial independence and industrial development are as vital as freedom from political tutelage if the principal constituent members of the Empire are to attain their full stature as autonomous nations, and, as we have suggested, no regrets need arise if the present conflict applies an unforeseen stimulus to the realisation of this ideal. The "cash and carry" stipulation for American supplies may have a directly beneficial effect by forcing greater reliance on Empire producers whose capacity to satisfy the manifold requirements of the Allies Defence Departments has been substantially increased since 1918, and is capable of further expansion. To the extent that British war expenditure finds expression in purchases from Empire countries, and as far as may be required, is financed by the repatriation of Empire securities no alternative procedure offers an equal chance of depriving even war expenditure of its normally 'unproductive' character. For that, in the long run, Great Britain would benefit as materially as the oversea Empire by a reduction of the latter's indebtedness hardly requires demonstration. The British manufacturer would certainly gain, owing to the resultant increase in the ability of Empire countries to utilise sterling resources in buying British goods which, to the extent of approximately 50 per cent. are exported to Empire markets. And, after an expensive war, larger exports will be Great Britain's over-riding need, as essential to her shipping and other services as to her staple industries. And there are other considerations, equally relevant and convincing.

Of major importance is the fact that fundamental changes have occurred in world trading conditions since British investors supplied India and the Dominions with the considerable capital required to finance the railways and other utilities. Not the least important of these changes, consequent on the general derangement of world markets, has been the prolonged and cataclysmic decline in commodity price-levels in relation to the prices of manufactures. This has greatly increased the Empire's and particularly India's burden of interest and sinking funds charges in respect of sterling commitments, since Great Britain's imports consist mainly of primary commodities whereas her export trade almost exclusively consists of manufactured articles.

The War and After.

The economic consequences of the conflict afford greater scope for conjecture and anxiety than its military outcome. Nevertheless, there remain two justifications for hope. One is that the proved defects of the Versailles "settlement" will not be repeated; the other, that, when peace returns, the immense, largely unutilised productive capacity of the world will be so fully employed

as, within a relatively short period, to offset the losses now being sustained. Such a consummation should be aided appreciably both by the measures of disarmament which may justifiably be expected when a reasonable period of peace again appears to be assured, and by the considerable relaxations of trade restrictions absolutely essential unless the nations again ignore the warning that unless goods are allowed to cross frontiers, soldiers will. There is a further consideration. The increased capacity for production which has marked the last two decades will cause new tensions, international as well as national, unless it is fully utilised. It can be harnessed either to destructive, or constructive, purposes. The present conflict exemplifies the consequences when reliance is placed on the former outlet. The alternative is to divert the expanded and expanding capacity of the economic machine to that general improvement in the standard of living which present and potential outputs render possible. " Finance, " as the London Economist has remarked, " is, after all, nothing but a shroud for economic truth.....In war, finance is a follower, not a maker, of policy, and ' impossible ' is excluded from its vocabulary." If, however, funds are always available for the destruction of human life, they should be available, in equal measure, in times of peace, for its conservation. The dismal and disastrous alternative to advance along this road can only be the prostitution of periods of nominal peace to feverish preparations for further wars.

INDIA.

In the foregoing analysis of events, an attempt is made to reveal briefly the interaction of economic and political forces on the world front. We have observed that for some years past the world economy has been undergoing a transformation and under the stress of war this process is likely to be considerably accelerated. Indian economy is vitally affected by changes taking place in the outside world. Although among the highly industrialized countries of the world India ranks eighth, she is still predominantly an agricultural country and, like other primary producing countries, her economy is unbalanced and consequently suffers from instability. This unstable nature of the vast agricultural economies became patent during the great depression. India had to undergo the ordeal of economic hardship patiently because her plight was brought about by forces beyond her control. The brief period of recovery in 1936-37 appeared to be a harbinger of better times, but early in Spring 1937 commodity prices sharply declined and since then right upto August 1939 there was no substantial improvement.

It would be difficult to assess the measure to which the 1938 depression in India was due to internal or external causes, but to the extent that an agricultural country like India, depends for its prosperity on what she can get for her exportable surplus, the causes are external. The purchasing power of the vast mass of agricultural population of India depends primarily on the world price of the agricultural produce of the country. In this connection the following table may be of interest because it compares the imports and exports of merchandise and the merchandise balance of trade in the calendar years 1939, 1938, 1937 and 1929. The figures

have been grouped for the first eight months and the last four months of each year in order to distinguish between pre and post war trade in 1939.

(In lacs of Rupees)

	1939	1938	1937	1929
Exports including re-exports—				
Jan. to Aug.	119,87	108,17	147,95	224,92
Sept. to Dec.	69,43	60,30	62,33	103,98
Total ..	189,30	168,47	210,28	328,90
Imports—				
Jan. to Aug.	113,26	103,68	106,45	170,53
Sept. to Dec.	47,76	49,75	58,32	77,99
Total ..	161,02	153,43	164,77	248,52
Balance of Trade in merchandise—				
Jan. to Aug. .. .. ..+	6,61	+ 4,49	+ 41,50	+ 54,39
Sept. to Dec. .. .. ..+	21,67	+ 10,55	+ 4,01	+ 25,99
Total ..	+ 28,28	+ 15,04	+ 45,51	+ 80,38

The balance of transactions in treasure has been deliberately excluded from the above table since, in a country depending principally for its economy on the exportable surplus of its agricultural products, the movement of treasure should ordinarily be in the shape of imports of precious metals. Owing to abnormal causes, India has been one of the largest exporters of gold since September 1931 but since the bulk of these exports represent liquidation of private hoards and not current or accumulated production, the figures of gold exports should not enter into the normal trade figures for ascertaining the visible balance of trade. Total gold exports during the year including purchases made by the Reserve Bank and earmarked for foreign buyers aggregated Rs.41·85 crores compared with Rs.19 crores in 1938 and Rs.18·28 crores in 1937. In case of gold, war exercised a positive influence on its movement. The sharp rise of over Rs.5 per tola as a result of heavy depreciation in the value of the pound sterling in terms of the U. S. dollar caused a large outflow of the metal. The price of gold touched the unprecedented level of Rs.43-8 per tola which was more than double of what was regarded as the normal price of gold before England abandoned the Gold Standard in 1931.

Although the value of merchandise exports during the first eight months of the year was in excess of that of the corresponding period in 1938 and compared favourably with that of 1937, the merchandise favourable balance of trade was comparatively small, being only Rs.6·61 crores compared with Rs.4·49 crores in 1938 and Rs.41·50 crores in 1937 during this period. The relatively small favourable merchandise balance was the combined result of lower commodity prices and larger imports from abroad. Cotton which constitutes one of the largest individual items of export showed an improvement over 1938, but it still fell short of 1937 to the extent of Rs.14·70 crores in terms of value and 25 per cent. in quantitative terms. Total number of bales of raw cotton exported during the first eight months aggregated 2,458,394 valued at Rs.21·88 crores as against 1,738,386 bales valued at Rs.15·69 crores in 1938 and 3,329,375 bales valued at Rs.36·58 crores in 1937. On the other hand, there was an increase in the imports of sugar and grain, pulse and flour. Owing to paucity of cane crop in the last year's crushing season, large quantities of sugar were imported from Java. The total value of sugar imports during the eight months ended August amounted to

Rs.231·19 lacs for 181,001 tons compared with Rs.8·83 lacs for 6,133 tons in 1938 and Rs.10·59 lacs for 8,950 tons in 1937. Grain, pulse and flour to the extent of Rs.16·41 crores were imported during the same period in 1939 as compared with Rs.7·92 crores and Rs.6·51 crores in the corresponding periods of 1938 and 1937 respectively.

The outbreak of war in Europe in September changed the Indian trade position. Export movement was accelerated while imports declined owing to greatly enhanced insurance costs and difficulty of obtaining freight. Simultaneously there was a general advance in prices consequent upon improved foreign demand for India's produce and domestic buying, and general optimism prevailed in all markets both as regards the future trend of commodity values as well as the volume of offtake. Greater insulation of the home market for indigenous goods and better prospects of industrial expansion in the future were responsible for this buoyant feeling.

The wholesale price index number advanced from 103 in the end of August (based on 1914) to 135 at the end of the year. Prices of raw cotton, jute and oilseeds more than doubled. The exports during the last four months of 1939 were valued at Rs.69·42 crores, while imports were low at Rs.47·76 crores, with the result that favourable balance of trade in merchandise aggregated Rs.21·66 crores. Adding to this the balance of transactions in treasure *i.e.* gold exports including purchases made by the Reserve Bank and earmarked for foreign buyers and allowing for imports of silver, the total visible balance favourable to India amounted to Rs.36·24 crores, being Rs.19·66 crores better than in the corresponding period of 1938 and Rs.27·47 crores better than during the same period of 1937.

The exchange problem in India bears direct relationship to the country's export trade, the import trade being relatively more rigid owing to the nature of the country's economy. The balance of merchandise trade favourable to India in the first eight months was small aggregating Rs.6·61 crores, but the Reserve Bank of India were able to secure sterling funds to the extent of £27·382 million, bulk of which amounting to £19½ million was secured in the first three months of the year. The sterling remitted during the first quarter was accounted for in the financial year 1938-39, leaving a balance of £7·875 million against the 1939-40 programme. The amount budgetted for the financial year 1939-40 is considerably smaller than in previous year being £27½ million as against £36 million in 1938. The total purchases of sterling in the open market amounted to £7·875 million from April to August 1939. This was not sufficient even to cover the deficit in the previous year's remittance programme against which the Reserve Bank were short by £10½ million. Furthermore, invisible imports in the case of India are fairly voluminous, consisting of remittances for interest payment on the country's external debt and payments for various services including banking, shipping, insurance, etc., as well as pensions and salaries of past and present foreign employees of the State.

The rupee/sterling exchange although not strained to the same extent as in 1938 still lacked firmness and the quotation was maintained under 1*s.* 6*d.* until the end of August. Thus, while before the war the rupee was in none too strong a position, the war entirely changed the outlook. Large amounts of sterling were offered to the Reserve Bank at nearly 1*s.* 6*d.* and while the total purchases during the

first five months of the fiscal year amounted to £7,875,000, in the four months of war—September to December—purchases of sterling by the Reserve Bank totalled £35½ million, being £8 million in excess of the year's revised budgetted requirements of the Government. Available surplus sterling resources were so large that Government were reported to be using a part of these for the purchase of India Sterling Stocks in London with a view to repatriate India's sterling debt. Such repatriation would undoubtedly be advantageous to the country because the interest payments on India's external debt have been a drag on the rupee/sterling exchange and have been partially responsible for the weakness of the rupee.

In order to conserve the foreign resources of the country, several restrictions were imposed on foreign trade and foreign exchange operations by the Government of India immediately on the outbreak of war. While rigid control was exercised on transactions in foreign currencies, particularly gold currencies, the course of rupee/sterling exchange was left unfettered.

As a result of the large acquisition of sterling funds by the Reserve Bank, the currency position of the country underwent a rapid transformation. While at the beginning of 1939, the active note circulation stood at Rs.181·36 crores, at the end of the year it rose to Rs.224·50 crores. The Reserve Bank's holding of Sterling Securities also increased from Rs.56·84 crores in January to Rs.107·50 crores at the end of December. The volume of Rupee Coin in circulation which had been fluctuating with seasonal demand and had at one time shown an inclination to decrease began to increase rapidly after the outbreak of war. The Reserve Bank's holding of these coins stood at Rs.64·22 crores at the end of the year as against Rs.69.81 crores on January 6th and Rs.76·04 crores at the beginning of September.

Rising commodity prices, increased favourable balance of trade and expansion of currency after the outbreak of war were the real pointers which raised hopes of substantial recovery in India's trade and commerce and rapid expansion of industries. The Indian cultivator who forms the backbone of the country's economy had gone through considerable suffering in the last decade owing to the continuous fall in prices and lack of foreign demand for India's products. Prices obtained internally and externally were often uneconomic and the position of the average farmer was getting desperate.

The war was expected to bring relief to the Indian cultivator and it appeared for a time that the prospects of improving his position were substantial. But before the full benefit could be derived, measures were introduced by Provincial Governments and legislation was threatened by the Central Government in order to check the rise in prices,—a rise which would be only natural in non-belligerent countries.

Under the ostensible reason of checking speculative activity and profiteering, the Indian cultivator should not be denied the opportunity of reaping a just profit from his produce. Pre-war prices can be a guide and a standard only for a limited period after the commencement of the war. The equity of price control is best ensured by relating prices to costs and by providing that costs are determined by careful scrutiny. At least, as far as the exportable goods are concerned, there cannot

possibly be any justification for controlling their prices, which are governed by the international price level.

While the war continues, the rise in prices generally and of essential commodities in particular is inevitable. The volume of trading must also increase automatically and any interference with the normal course of trading must disturb the economic equilibrium. In India, however, not only was the control of prices threatened, but there were rumours of a possible scheme for prohibiting or regulating 'futures' markets, and details of this scheme were reported to have been prepared by the Chief Marketing Adviser to the Government of India. A move in this direction was actually made by the Government of Bombay by banning "option" business on the Cotton Exchange. "Options" have acted as a tempering influence on market movements and in fact have proved of great value in regulating prices and checking unduly wide fluctuations. Commodity markets and trading in futures are accepted as necessary links in the chain of a nation's marketing organisation. Reports of the Government's contemplated action in this direction aroused a chorus of disapproval from the commercial community all over India and these appear to have had the desired effect. In the meantime, however, markets developed a sagging tendency and prices declined sharply in all sections. Unless these fears are allayed by Government by making a public statement that no interference with normal trading of forward markets is contemplated, the present state of hesitancy is likely to continue.

Among the internal factors affecting the economy of a country, much depends on the financial policy of the State. The financial outlook of India is unfortunately at present far from encouraging. During the past decade or so and particularly during the regime of the ex-Finance Member, Sir James Grigg, taxation has increased from year to year, despite public criticism and the Legislative Assembly's adverse vote on the Finance Bills and all the five Budgets presented by the last Finance Member had to be certified. These five years stand out as the bleakest period in India's financial history. No capital expenditure was made for nation-building activity or public works and little or no heed was paid to the industrial expansion of the country. It is estimated that the annual taxation, Central and Provincial, has increased by almost Rs.50 crores in the course of the last ten years.

The declaration of war in Europe had raised hopes of a fairly substantial favourable balance of trade and increased industrial profits. It was believed that Indian industries would receive the necessary fillip, since not only imports from abroad would be curtailed but there was also the possibility of demand arising for India's manufactures from countries that were pre-occupied in the execution of war. New industries were expected to spring up and the old ones were likely to expand. The expenditure of Rs.45 crores recommended by the Chatfield Committee, for the improvement and modernisation of the army, was also expected to benefit the existing industries in India. A damper, however, was thrown by the Government of India in this direction by declaring its intention early in 1940 to leavy an excess profits tax of 50 per cent. on all excess profits accruing from 1st April 1939.

Indian industries suffered considerably from the post-1929 depression and just when an opportunity was at hand to renew the industrial progress of the country, it was denied to the country

by the Excess Profits Tax. Public criticism all over India has been vehement in denouncing this impost, and the levy of the tax is regarded as inopportune and unjustifiably heavy. It will retard the progress of industry and Indian capital which has always been proverbially shy will now justifiably remain so. It is, however, to be hoped that before a final decision is taken, Government will pay heed to the protests of the commercial community and defer the imposition of the tax to a more opportune date and substantially reduce the crushing percentage proposed.

The Finance Member, while estimating the Revenue and Expenditure for 1939-40, reckoned on a deficit of about Rs.50 lacs which he proposed to meet by the imposition of additional duty on the import of foreign cotton—raising the existing duty of ½ anna per lb. to 1 anna per lb. This measure was criticised on two grounds, firstly that the Finance Member had been ultra-conservative in his estimates of Customs Revenue and secondly, that the doubling of the duty put the indigenous cotton industry to a great disadvantage as against the foreign imported cloth. It particularly restricted the competitive capacity of Indian mills producing finer counts. The plea put forth by the Finance Member of protecting the Indian cotton grower could hardly hold ground in face of the fact that long staple cotton—the grade imported into India—has been difficult to grow in any large quantities in India owing to climatic conditions. For the manufacture of fine count cloth it is necessary to import Californian and Egyptian cotton and any increase in the duty on the imports of this cotton would put additional burden on the industry. The tariffs as revised by the certification of the Indo-British Trade Pact afforded a further advantage to the Lancashire cotton industry.

The new treaty has replaced the Ottawa Agreement and its crucial terms relate to the provisions in regard to the import of cotton piecegoods from the U. K. into India and the export of raw cotton from India to the U.K. Substantial advantages were secured by Lancashire in the shape of reduction in duty on imports of British cotton piecegoods into India. The new rates known as the 'basic rates' are 17½ per cent. *ad valorem* on printed goods; 15 per cent. *ad valorem* or 2 annas 7½ pies per lb. which-ever is higher on grey goods and 15 per cent. *ad valorem* on all others. Prior to the conclusion of the Agreement there was a flat rate of 25% *ad valorem.*

The following tables giving an analysis of India's trade would be found interesting in reviewing India's foreign trade position. They may also be useful for the proper understanding of the trade position at the time of negotiating future trade agreements.

A table showing the percentage distribution of India's **exports** *according to commodities (values).*

Year.	Grain pulse & flour.	Tea	Hides and skins.	Seeds including nuts for oils.	Cotton raw and waste.	Jutes raw and waste.	Other raw materials.	Jute manufactures.	Cotton yarns and manufactures.	Other manufactures.	Other commodities.
1934 ..	6·80	13·80	6·00	7·17	22·72	6·93	13·54	14·15	1·66	6·21	1·02
1935 ..	8·77	12·80	6·06	5·66	20·70	8·58	13·54	14·82	1·81	6·23	1·03
1936 ..	7·54	11·32	5·97	8·57	22·84	7·65	12·41	14·67	1·85	5·56	1·62
1937 ..	6·35	11·80	6·75	8·13	19·95	8·03	13·25	14·65	4·12	5·21	1·76
1938 ..	5·00	14·58	5·52	9·84	14·73	7·54	14·60	16·19	4·70	5·60	1·70
1939 ..	2·81	12·97	5·86	6·66	16·10	8·48	14·65	21·31	4·20	5·61	1·35

A table showing the percentage distribution of India's **imports** *according to commodities (values).*

Year.	Grain, pulse and flour.	Oils—Veg., Mineral and Animal.	Cotton raw and waste.	Cotton yarns & manufactures.	Chemicals, drugs and medicines.	Cutlery and hardware.	Dyes and colours.	Electrical Goods and machinery.	Metals—Including Iron & Steel Manufactures.	Paper and pasteboard.	Vehicles excl. Loco. for Rys.	Other textile manufactures.	Other commodities.
1934 ..	1.99	5.35	3.12	16.13	4.05	4.18	3.28	11.92	8.48	2.62	4.98	9.00	24.90
1935 ..	1.24	5.48	5.72	16.08	4.16	4.17	3.07	12.56	8.08	2.68	4.98	7.18	24.60
1936 ..	0.91	5.45	3.79	15.12	4.03	4.68	3.15	14.54	8.07	2.90	5.10	7.52	24.74
1937 ..	5.60	9.70	6.12	9.56	3.68	4.13	3.21	12.01	8.17	2.94	5.25	7.45	22.18
1938 ..	7.06	10.61	7.21	9.52	3.73	3.80	2.47	15.08	6.94	2.55	4.40	4.76	21.87
1939 ..	13.76	10.85	4.75	8.73	3.76	3.54	2.72	12.09	6.53	2.28	4.32	4.75	21.92

A table showing the percentage distribution of India's merchandise **exports** *according to countries (values).*

Year.	U. K.	British Empire excluding U. K.	Germany.	Netherlands.	Belgium.	France.	Italy.	Japan.	U.S.A.	Other countries.
1934 ..	33·08	13·60	5·22	2·32	2·70	3·39	3·85	14·66	8·46	12·72
1935 ..	30·95	14·91	5·44	2·07	3·37	4·17	2·87	13·71	9·84	12·67
1936 ..	33·22	13·64	5·37	2·64	3·51	4·30	1·70	15·05	9·21	11·36
1937 ..	32·36	15·46	5·69	2·61	3·82	3·36	3·42	12·37	10·30	10·61
1938 ..	34·47	19·05	5·01	2·32	2·60	3·69	1·92	9·19	8·45	13·30
1939* ..	32·73	20·92	1·91	1·23	1·68	3·56	1·02	7·77	12·05	17·13

*These percentages do not take into account Rs.6·51 crores worth of 'FOR ORDERS' cargoes, which have so far not been allocated.

A table showing the percentage distribution of India's merchandise **imports** *according to countries (values).*

Year.	U. K.	British Empire excluding U. K.	Germany.	Netherlands.	Belgium.	France.	Italy.	Japan.	U.S.A.	Other countries.
1934 ..	40·47	8·55	7·70	1·04	1·74	1·20	2·41	15·57	6·72	14·60
1935 ..	39·26	10·00	8·41	0·99	1·58	0·95	1·83	15·99	6·61	14·38
1936 ..	39·01	10·36	9·77	1·03	2·26	0·93	0·63	17·19	6·66	12·16
1937 ..	31·51	22·01	9·18	0·90	2·00	0·92	1·55	13·95	6·40	11·58
1938 ..	31·36	25·89	8·37	0·92	1·93	0·89	1·73	10·15	7·43	11·33
1939 ..	25·38	31·81	6·47	0·86	1·50	0·92	1·24	11·13	7·31	13·38

Upto 31st March 1937 the figures in the above 4 tables include the direct foreign trade of Burma. From 1st April 1937 the direct foreign trade of Burma has been excluded and the trade of British India with Burma has been included.

Trade talks between Ceylon and India were to commence after the conclusion of the Indo-British Trade Agreement, but these had to be postponed for political reasons. Negotiations were also started for entering into a new trade pact with Japan and non-official advisers were appointed towards the end of July 1939 to assist the official spokesmen in the negotiations. Very little progress was made during the year towards the completion of the agreement, but it is strongly urged in all quarters

that the Government will take into consideration the interests alike of the cotton growers and the indigenous industries in concluding the trade pact. The Indian budgettary position and the protection of domestic enterprise should form the prime considerations in fixing the import duties which would not only help to lighten direct taxation, but also help the Indian industries. The Indian budget estimates are not likely to be upset by the outbreak of war, since large provision has already been made for military expenditure and for the modernisation and improvement of the Indian army. A sum of Rs.45 crores has been promised by the British Government—Rs.33¼ crores as a free gift and Rs.11¾ crores in the shape of a loan free of interest for five years. In addition, the Railways are expected to make a fair contribution to the Central Revenues, since Railway earnings have shown considerable improvement specially towards the latter part of the year. The total earnings of all State-owned Railways for nine months of the financial year 1939-40 aggregate Rs.71.09 crores as compared with Rs.66.46 crores during the corresponding period of last year and Rs.94.75 crores estimated revenue for the full current year.

The Customs returns also show better results owing to larger movement of goods since the outbreak of war. Customs receipts aggregated Rs.41.19 crores from April to December 1939 as compared with Rs.38·59 crores during the same period in 1938, an increase of about Rs.2.60 crores. The revenue budgetted from this source is Rs.48·38 crores.

Most of the Provincial budgets showed deficits largely as a result of the policy of Prohibition introduced in Provinces where the Congress Party was in office. Large sums were also set aside for social uplift which coupled with the loss of excise revenue, made fresh taxation imperative. While no one can deny the laudability of the prohibition policy, the process may be regarded as being too fast and the methods employed to meet the resultant deficits somewhat drastic.

The Provinces expect to receive somewhat larger amounts from the Central Revenue under the Niemeyer Award, since the contribution from the Railways is expected to be higher this year than in 1938-39. This may help the Provinces to carry out their social uplift and prohibition programmes without having recourse to fresh taxation. In point of fact, they may be able to give some relief by reducing the scale of taxation recently introduced, provided the Niemeyer Award is adhered to.

As regards the Central Budget, while no alleviation of the existing heavy burden of taxation can be expected, it is earnestly to be hoped that no fresh taxation will be resorted to. It may further be hoped that the new Finance Member will take the Legislative Assembly into greater confidence and listen to its just criticism and be guided by it in framing his budget for the coming year. The major problem of India's finance is not so much to find more revenue as to scale down the expenditure to meet the paying capacity of the country.

The failure of the Travancore National Bank brought to the fore the question of Banking Legislation. In India, except for some provisions contained in the Indian Companies Act of 1936, there is no separate law regulating Banking business. For the steady growth of Indian banking

and in order to inspire confidence in Indian banks, it is necessary to introduce legislation to safeguard the depositors. The authorities of the Reserve Bank have suggested that a Banking Bill should be introduced to safeguard the depositors. The Bill together with a memorandum prepared by the Reserve Bank authorities is being circulated for opinion of commercial bodies and it is to be hoped that a comprehensive act of legislation will soon be put on the Statute Book for the regulation of banking business in the country.

Side by side with the passing of the Bank Bill, the Reserve Bank should be put in a position to render immediate assistance to banks when they are in difficulties. The Reserve Bank in its turn would be entitled to fuller information and correct knowledge of the member banks' affairs so that it can extend larger and speedier help in future emergencies.

The industrial activity, except for jute, being at a low ebb during most part of the year, new company floatations were comparatively few. The outbreak of war raised hopes of quick industrial expansion, but the introduction of the Excess Profits Tax is bound to curb all enthusiasm in this direction. Otherwise, this is the right moment to expand the existing industries and open up new ones. The total number of companies floated during the year 1938-39 was 996 with a total authorised capital of Rs.45 crores compared with 1,175 companies in 1936-37 with a capital of Rs.109 crores and 986 companies with Rs.53 crores capital in 1938.

Exchange :—In the first century B. C. Cicero wrote " Of all pursuits from which profit accrues, nothing is superior to agriculture, nothing more productive, nothing more enjoyable, nothing more worthy of a free man," but in the world today the economy of a country primarily dependent on agriculture is far more susceptible to cyclical fluctuations than the economy of an industrial country. One of the most important factors responsible for this instability of an agricultural economy is the relative inability of the supply machinery to adjust production to the volume of current demand. The greater variability of the prices of primary commodities in comparison with those of manufactured goods is but a corollary of this inelasticity of supply.

This feature of the agricultural economy exposes the trade of an agricultural country to wide fluctuations and consequently the country's exchange relationship with the outer world is also strained. Alternately, there is stress on the upper and lower exchange peg depending on the upswing and downswing of the trade cycle. This thesis could not be better illustrated than by the comparison of India's trade and exchange position in 1938 with that in 1939. Throughout the previous year the attention of the central banking authority in India was centred on the question of accumulating sterling balances in order to meet the requirements of the Government of India. Inspite of employing devices such as artificially raising the rate of return on Treasury Bills and thus attracting " hot money " from abroad the Reserve Bank of India could acquire only £19 million of sterling balances and had to sell their holding of sterling securities to the extent of £14½ million in order to meet the Government's demand for sterling. Towards the fag end of 1938, there were signs of a revival in India's export trade and this trend was continued through the early part of 1939. Whereas twelve months of 1938 yielded £19 million to the Reserve Bank, their purchases in the first quarter of 1939

totalled £19½ million. The merchandise balance of trade in favour of the Rupee area (India and Burma) during the first quarter of 1939 was Rs.8·26 crores as against Rs.4·67 crores in the corresponding period of 1938.

(In Rupees 00,000's omitted).

	Period.	Exports incl. re-exports.	Imports.	Balance of Trade in Merchandise only.	— Net Imports. + Net Exports.	Total Balance of Trade excl. Government Remittances.
1938	Jan/Aug.	108,22	103,34	+ 4,88	+ 11,07	+ 15,95
	Sep/Dec.	60,30	49,62	+ 10,68	+ 2,38	+ 13,06
1939	Jan/Aug.	119,88	112,69	+ 7,19	+ 7,07	+ 14,26
	Sep/Dec.	69,43	47,71	+ 21,72	+ 11,08	+ 32,80

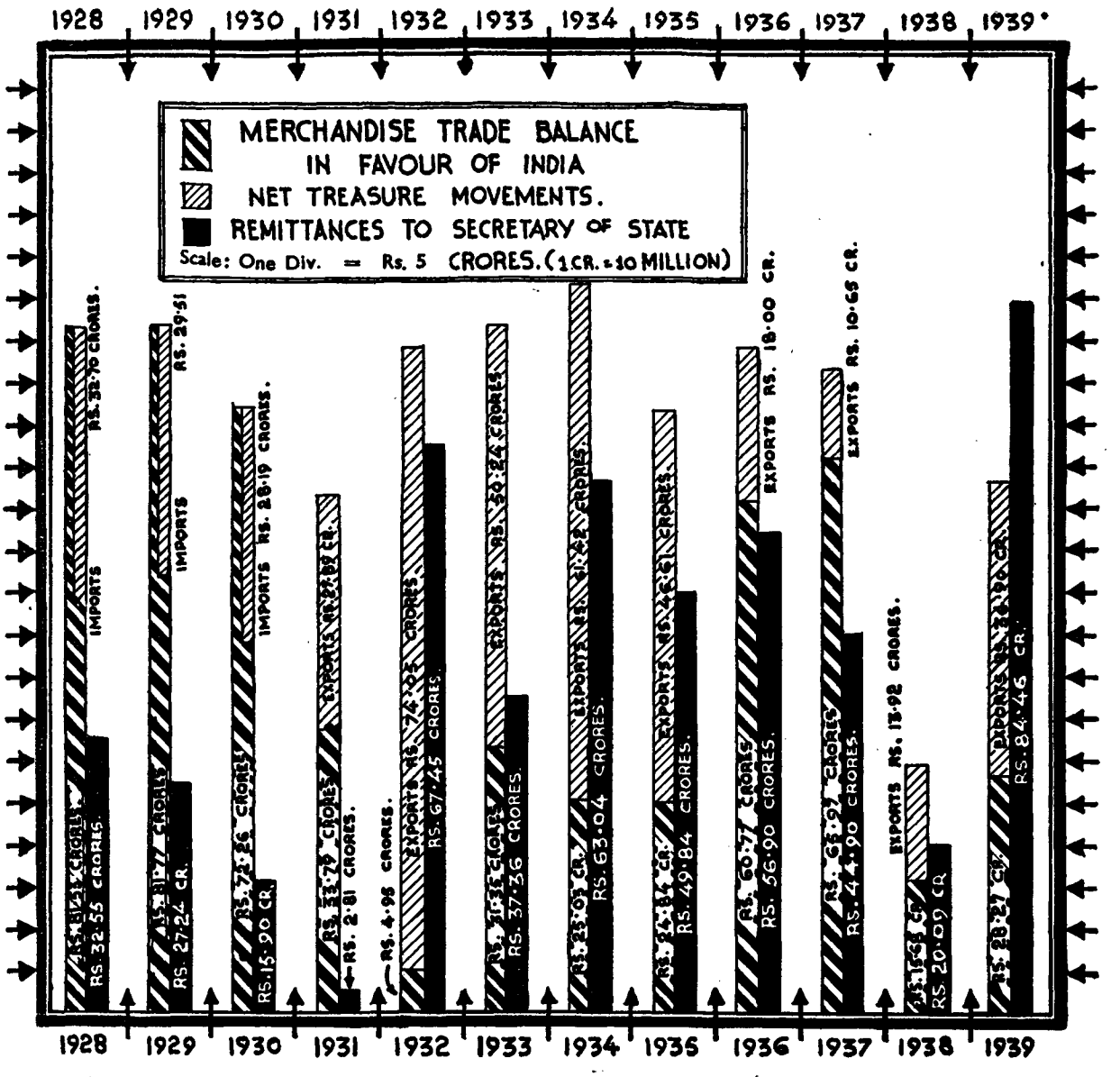
[The combined trade figures of India and Burma are more significant in discussions relating to the Rupee exchange than the figures for India alone (See table on page 10) because the two countries still constitute a single currency block although they have been separated for administrative and fiscal purposes since 1937. The above table gives the combined trade figures for India and Burma for the years 1938 and 1939].

The trade cycle curve which had just passed its nadir in the first quarter of the year moved up steeply after the outbreak of hostilities in Europe. The quick outflow of India's produce and Indian gold after September 3rd created problems of exchange management antithetical to those of a year ago, and instead of devising ways and means of acquiring foreign balances, the authorities were scrutinising methods of usefully employing the excess of sterling tendered to them. In addition to the increased supply of sterling due to increased exports through the normal trade channels large-scale purchases were made in India by the British Government through the intermediary of the Government of India for which the Government of India was paid in sterling. This in its turn reduced the amount of sterling funds required by the Government from the Reserve Bank of India and increased the available surplus of sterling in the hands of the Bank. Thus the Rupee which was said to be overvalued in 1938 was considered undervalued after the Allies' declaration of war on Germany.

During the first few months of the year under review, the Reserve Bank of India were able to secure large blocks of sterling but even so, the undertone of the exchange market was weak as could be seen from the discount of approximately $\frac{1}{32}d.$ on two months' forward Rupees. It must also be remembered that almost £5 million of the sterling purchased by the Bank during the first quarter of 1939 was the result of open market operations in gold and in addition to this "hot money" was flowing into the country because of the relatively high return on Indian Treasury Bills and also for investment into gold. A fair quantity of gold was held earmarked in India on behalf of foreigners who could not keep the metal in their own country or in London because of prevalent restrictions. During the first few weeks of the year, the quotation for spot T.T. on London varied between $1s.\ 5\frac{29}{32}d.$ and $1s.\ 5\frac{31}{32}d.$ The authorities revived the method of buying sterling through tenders in the last week of February and in the opening week of March succeeded in raising the rate for sterling purchases from $1s.\ 5\frac{15}{16}d.$ to $1s.\ 5\frac{31}{32}d.$ for tenders and $1s.\ 6d.$ for tap. This pushed up the open market quotations to $1s.\ 5\frac{31}{32}d.$ for sellers and $1s.\ 6d.$ for buyers but the rise was short-lived and early in April the quotations declined once again to the previous level. The rate of acceptance of sterling tenders was also lowered to $1s.\ 5\frac{15}{16}d.$ on the 12th of April. On May 10th, the authorities suspended the purchase of sterling

through tenders and this method was not resorted to during the rest of the year. Seasonal influence was visible on the market during May and in the absence of any sizable showing of merchandise export bills the open market quotation declined to 1*s.* 5$\frac{27}{32}$*d.* for sellers and 1*s.* 5$\frac{7}{8}$*d.* for buyers in the last week of the month. There was a fractional improvement during June when buyers quoted 1*s.* 5$\frac{15}{16}$*d.* for spot T.T. on London but some remittance inquiry against silver imports in July restored the rates to the May level. Increasing political tension in Europe was reflected in the Rupee/sterling exchange market during August when there was a rush of bears to cover their short position in Rupees. The movement of exports was also accelerated because of the anxiety of merchants to complete their contracts as early as possible in the face of growing uneasiness in Europe. The open market quotation for sellers of spot T.T. on London was gradually marked up to 1*s.* 5$\frac{29}{64}$*d.* with buyers at 1*s.* 5$\frac{61}{64}$*d.* After mid-August, the forward market was almost one-sided with sellers of sterling predominating and buyers reluctant. Two to three months' forward Rupees which were done at a discount of $\frac{1}{32}$*d.* earlier in the year now stood at a very high premium and business for December delivery was reported at $\frac{5}{32}$*d.* over the spot rate of 1*s.* 5$\frac{15}{16}$*d.* The Reserve Bank of India were able to purchase £5,790 thousands during August. With the outbreak of hostilities exchange control was introduced, but transfers from Rupees to sterling and *vice versa* were kept free except that all dealings in foreign currencies, including sterling, had to be made through authorised dealers in foreign exchange. It was also made clear that forward facilities would only be obtainable for genuine trade purposes. Forward deliveries, however, continued to be quoted at a high premium until the end of September when the Reserve Bank of India announced that they would, in future, be prepared to purchase sterling for forward delivery extending over a period of 90 days at $\frac{1}{32}$*d.* per month higher than their spot buying rate. Within a week of making this announcement the Reserve Bank raised their tap rate by $\frac{1}{16}$*d.* to 1*s.* 6*d.* and the open market quotation simultaneously moved up by a similar amount to 1*s.* 5$\frac{31}{32}$*d.* for sellers and 1*s.* 6$\frac{1}{32}$*d.* for buyers. Hereafter there was no change in the market until the close of the year except for a temporary drop in the Banker's selling rate for spot T.T. to 1*s.* 5$\frac{15}{16}$*d.* and this too was only against remittances for silver.

During 1939 the Reserve Bank of India acquired sterling funds to the extent of £63 million of which they had to give £21$\frac{1}{2}$ million to the Government of India. The large surplus of £41$\frac{1}{2}$ million left in their hands was utilized to acquire sterling securities but the rate at which sterling was and is being offered to the Bank (£35$\frac{1}{2}$ million were sold to the Bank during the first four months of the war) has given rise to suspicions in some minds about the desirability and practicability of maintaining the present link between the Rupee and the pound sterling. Although a case could probably be made in favour of re-valuing the Rupee under the present circumstances when the elasticity of demand for India's produce has been considerably reduced, the advantages of leaving the relationship undisturbed are much greater. But in no event can there be justification for re-valuing the Indian currency after this war is over and the elasticity of demand for India's produce is once again restored. Concerning the practicability of maintaining the present ratio it can safely be said that there is little danger at present of the authorities being forced to raise the value of the Rupee. It must be remembered that the Indian Government has a sterling debt of approximately £272·75 million and even if the authorities are obliged to take up £10 million of sterling every month, the process of repatriating India's sterling debt would have to continue for 2$\frac{1}{4}$ years.



Money.—The art of central banking and state control over the money market were put to the proof during 1939 and the short-term money market was more compliant to authoritative direction than ever in the past. The ease with which the change from peace to war conditions was accomplished last September both in Great Britain as well as in India exhibits the degree of perfection reached in the control of the credit machine which is the life-line of the capitalist system. Manipulation of the long-term money market occasionally presented some difficulty owing to comparatively large governmental borrowing programmes but, on the whole, the year was a triumph of the theory

of managed money. Despite heavy armament expenditure and the cumbersome cost of the war, authorities in Great Britain and in India were able to maintain ' cheap money ' both for their own borrowing programme and for the financing of Trade and Industry.

The Government of India as well as some Provincial Governments were easily able to bridge the gap between revenue receipts and current expenditure by borrowing short-term money through the sale of Treasury Bills to the market. The usance of the Government of India bills was kept unchanged at three months throughout the year, but some Provincial bills were of longer duration.

From the beginning of the year until the third week in March, the Central Government invited tenders for Rs.1 crore worth of Treasury Bills every week, and in addition to this they sold fairly large blocks of intermediate bills on tap, the average rate of discount keeping remarkably stable at $2\frac{5}{8}$ per cent. per annum. Inspite of renewals amounting to Rs.$26\frac{3}{4}$ crores there was an influx of funds into the market, owing to larger maturities, which totalled Rs.$30\frac{1}{2}$ crores. Moreover, the authorities continued to pump money into the market through the purchase of gold and sterling. This inflow of funds enabled the market to meet the seasonal demand for financing crop movements. By the end of April the Treasury bill discount rate gradually narrowed from $2\frac{5}{8}$ per cent. to $2\frac{1}{4}$ per cent. which showed that political events in Europe had failed to cast their shadows on the Indian money market.

By early May money was returning to the trade centres from the interior and taking advantage of this the Government increased the amount of Treasury Bill tenders to Rs.2 crores a week but at the same time discontinued the sale of intermediates. They were able to borrow Rs.2 crores a week until the end of June at regressively lower rates inspite of the fact that there was very little inflow of funds into the market through the sale of gold or sterling to the Reserve Bank of India. The rate of interest on day-to-day loans which had kept around $2\frac{1}{2}$ per cent per annum during the earlier months stood at a mere $\frac{1}{2}$ per cent per annum at the end of June and the Treasury Bill discount rate declined from $2\frac{1}{4}$ per cent. to under 15/16 per cent. per annum.

During July the authorities renewed the sale of intermediates and reduced the amount of weekly Treasury Bill tenders by Rs.50 lacs to Rs.$1\frac{1}{2}$ crores with the result that they borrowed Rs.7 crores through the sale of intermediates and only Rs.6 crores through sales by tender. The lowest rate of discount of the year for Treasury Bills was recorded in the last week of July when it stood at Re.0-14-1 per cent. but precautionary withdrawals of funds from the market by ultra cautious lenders on increased political tension in Europe resulted in the discount rate being marked up to 1 per cent in the 1st week of August. The amount of Treasury Bill tenders was increased to Rs.2 crores on 18th August only to be reduced to Rs.$1\frac{1}{2}$ crores two weeks later following the outbreak of the war, and the sale of intermediates, which had been suspended since the beginning of May, was once again renewed.

The Bank of England's discount rate was doubled from 2 per cent. to 4 per cent. on the 24th August, and fearing a similar increase in the Indian Bank rate lenders in the local market were shy and the call money rate advanced from $\frac{1}{2}$ per cent to 1 per cent whereas in the absence of lenders

three months and six months money was almost unquoted in the first week of the month. Even Government could sell only Rs.1½ crores of Treasury bills when they had invited tenders for Rs.2 crores, and this too at the sacrificial rate of Rs.2-12-9 per cent. per annum. The first week of the war also saw heavy current account withdrawals from the commercial banks, but once the first shock was over normal conditions were quickly restored and by the end of the year, the rate of return on Treasury Bills had declined to under 2 per cent. per annum.

Taking the year as a whole, Government's short term borrowing programme followed the market trend instead of forcing it as in the previous year, and the primary reason for this change was the comparative strength of the Rupee/sterling exchange. During the latter part of 1938 the authorities had to raise the rate of return on Treasury Bills in order to attract foreign funds into the country and thus complete their sterling remittance programme. In 1939, however, with the exception of the first few weeks of the year, there was no necessity of attracting money from abroad to protect the exchange rate, and in fact towards the end of the year the Reserve Bank of India was faced with the question of utilising a large surplus of sterling balance.

Total sales of three months Government of India Treasury Bills during the year amounted to Rs.119 crores (Rs.71½ crores by tender and Rs.47½ crores on tap) as compared with Rs.88.71 crores in 1938. The total amount outstanding at the end of the year was Rs.35 crores as against Rs.30½ crores at the opening of the year. In addition to this various provincial governments also offered Treasury Bills on the market. We have summarised this here in a tabular form :

Week ended.	Issuing Government.	Period months.	Face Value.	Average rate per cent. per annum.
			Rs.	Rs. a. p.
February 3	C. P. & Berar	4	25,00,000	2 13 0
March 3	Assam	4	25,00,000	2 12 0
„ 24	Assam	3	15,00,000	2 8 0
„ 31	C. P. & Berar	3	30,00,000	2 9 1
April 28	Punjab	3	90,00,000	2 8 10
July 7	C. P. & Berar	8	30,00,000	2 0 0
August 11	Bengal	6	30,00,000	1 14 6
„ 11	Madras	3	75,00,000	1 1 11
September 1	C. P. & Berar	6	55,00,000	3 8 0
„ 8	Bengal	6	60,00,000	3 8 0
„ 29	U. P.	3	1,00,00,000	2 15 10
„ 29	Assam	3	60,00,000	3 0 0
October 27	U. P.	3	50,00,000	3 0 0
„ 27	Madras	3	1,00,00,000	2 15 10
November 3	Madras	3	75,00,000	2 8 0
„ 3	C. P. & Berar	3	50,00,000	2 7 1
„ 17	Madras	3	75,00,000	2 4 0
December 1	U. P.	3	50,00,000	2 4 0
„ 22	Madras	3	1,00,00,000	2 3 10
	Total amount issued ..		10,95,00,000	

The active note circulation in India at the beginning of the year was Rs.181.36 crores and after a seasonal increase to Rs.183.16 crores on the 7th of April, declined to Rs.171.03 crores by the 4th of August. Similarly the Reserve Bank's holding of Rupee coin which stood at Rs.69.81 crores on January 6th increased to Rs.76.04 crores on September 8th after a temporary decline to Rs.65·41 crores on the 12th of May. After the outbreak of hostilities in September, however, the amount of notes in circulation in India increased week by week with a corresponding increase in the total of notes issued.

Rupee coin was also steadily withdrawn from the Reserve Bank. Between the 1st of September and the 29th of December the active note circulation increased by Rs.52·13 crores in addition to which rupee coin in circulation increased by Rs.11·65 crores.

The inflation of currency in the last quarter of the year was partly due to large purchases of Indian raw materials by the British government for which payment was made to the Government of India in sterling and for which the Indian government in its turn paid the Indian producers in rupees. In addition to this direct acquisition of sterling by the Government of India, the Reserve Bank also supplied rupees to the market against acquisition of large blocks of sterling from the open market and against purchases of gold on account of its foreign correspondents who paid for it in sterling. Furthermore, there is little doubt that a certain amount of inflation was the result of increased demand for currency as an outcome of rise in prices. Cause and effect, however, are so inter-related here that it is difficult to rule out the possibility of advance in prices being partly due to an increase in the available supply of currency. But even if currency inflation has influenced the upward movement of prices, it has certainly enabled the authorities to continue a ' cheap money ' policy which is indispensable at the present juncture when large funds are needed to finance Indian industries and more so the war in Europe.

Gilt-Edged.—The gilt-edged market ruled remarkably steady despite the fact that the international political situation caused anxiety throughout and culminated in a war in the beginning of September. There was a temporary set-back in prices, first in March when European politics suffered a shock on the military occupation of Czecho-Slovakia by Germany and then in June when the Danzig question came to the fore. In September following the outbreak of war between Great Britain, France and Poland on the one side and Germany on the other, the market collapsed temporarily, there being few buyers for any scrip. Under the influence of cheap money policy, however, which was strictly followed throughout the year, the prices of gilt-edged recovered almost immediately after each political incident and at the close of the year a firm tone was manifest with good investment inquiry in dated as well as in irredeemable loans.

The market opened steady and prices were maintained till the last week of January, when prices declined somewhat following the success of the Nationalist Party in Spain. 3½ per cent. India Sterling loan declined to £88 from £89½ and the 3½ per cent. Rupee Paper from Rs.98-3 to Rs.96-3. There was a further decline in rates in the first fortnight of February, but a full recovery was made during the latter half.

In March following the occupation of Czecho-Slovakia by Germany, the gilt-edged market received the first real knock. 3½ per cent. India Sterling Stock declined to £81½ and 3½ per cent. Rupee Paper to Rs.93-9. Dated bonds declined proportionately. By mid-May, however, prices advanced to almost their earlier levels, mainly under the influence of cheap money. 3½ per cent. India Sterling Stock was again quoted at £87 and 3½ per cent. Rupee Paper at Rs.97-2. Dated bonds also recovered to the early March levels.

In June prices dropped once again following trouble in the Far East and in Danzig, but the fall was quickly arrested and by the end of July, 3½ per cent. Rupee Paper was quoted at Rs.97-14 after dipping down to Rs.95-5 at the end of June.

August was a crucial month in European politics when Germany entered into an alliance with Russia. This put Europe on guard and warlike preparations were in evidence all over Europe. The London Stock Exchange Committee fixed minimum prices for various British and Indian Stocks as a precautionery measure and prices were marked down both in London and the local market. 3½ per cent. India Sterling loan declined to £80 the minimum price fixed, and the 3½ per cent. Rupee Paper fell to Rs.93-14. The fall in sterling was proportionately greater and there was a difference of as much as 14 points between 3½ per cent. India Sterling Stock and 3½ per cent. Rupee Paper towards the end of August. On the declaration of war on the 3rd of September prices collapsed in the local market, 3½ per cent. Rupee Paper falling to Rs.86. 5 per cent. 1945-55 loan, which was quoted at Rs.115-12 at the beginning of the year, was down to Rs. 101 after the outbreak of war. 4 per cent. 1960-70 loan at Rs.99 lost over 12 points on the year's opening quotation. Although in London officially the Indian and British loans could not be dealt in below minimum rates fixed, it was reported that business was transacted well under these prices in unofficial dealings. 3½ per cent. Rupee Paper was steadier relatively to other bonds owing to the short position existing in this scrip in the local market which had to be covered when the local Stock Exchange authorities banned forward trading in gilt-edged with effect from 4th September. By the middle of September, 3½ per cent. Paper declined to Rs.82 whereas the dated bonds showed a fractional improvement on investment inquiry.

By October the markets had settled down to war conditions and cheap money policy became fully effective once again in London where prices of gilt-edged steadily advanced. 3½ per cent. India Sterling Stock, in which earlier there were dealings at several points below the minimum fixed, was quoted at £82 with buyers at the price and 3½ per cent. Rupee Paper was quoted at Rs.87. The difference between these two scrips had narrowed down to about 5 points towards the end of the year compared with 14 points before the outbreak of war. Government of India were reported to be utilising a part of their large sterling resources obtained since the outbreak of war in the purchase of India Sterling loans with a view to repatriation of funds to India. All dated bonds were in good demand towards the close; 5 per cent. 1945-55 loan finished at Rs.110-6 and 4 per cent. 1960-70 loan at Rs.102-4.

Despite deterioration in international political situation, the Government of India and some of the Provincial Governments were able to raise loans of medium and long maturity at the cheap rate of 3 per cent. The Government of India raised a Rs.15 crore loan at 3 per cent. maturing in 1963-65, while the Provincial Governments of Madras and the C. P. raised Rs.150 lacs and Rs.75 lacs in 3 per cent. Loans maturing in 1959 and 1949 respectively.

Industrial Conditions:—On the industrial front, the impact of economic recession was fully felt during the first eight months of the year. Production in most industries was maintained at a fairly high level, because after the expansion of output during 1936-37 recovery year, it could not be curtailed drastically. Signs of a disquieting industrial situation were in evidence in the middle of the year when the stock position in almost all the major industries became heavy and prices displayed a sagging tendency. The industrial outlook was by no means optismistic and the forward-looking expectations of the businessmen were reflected in the level of stock exchange prices of the equity

shares. The index number of variable yield securities (Base 1927/28=100) which had risen to 137 in March 1937 stood at 105·4 in January 1939; it persistently declined to 97·6 in April and after advancing to 100·8 in May again declined to 98·5 in August. The outbreak of war changed the outlook. It was anticipated that demand for India's staple products would increase and bearing in mind the conditions prevalent during the last war, traders rushed in to cover their requirements. There was hectic speculative activity and share prices advanced substantially. The index number of variable yield securities jumped to 111·4 in September and rose to 124·7 in November. It is premature to judge what effect the war will have on the industrial structure in India. In order to give a clearer perspective, statistical information is separated wherever possible in regard to each industry in the sections that follow.

The table appended below shows the trend of registration of Joint Stock Companies in India (excluding Burma) in recent years :—

Years.	Companies registered.		Aggregate authorized capital.		Average authorized capital per company. (000's rupees).
	Number.	Index of registration. (Base : 1913-14 = 100.)	Amount. (000's rupees).	Index of aggregate of authorized capital. (Base : 1913-14 = 100.)	
1913-14	349	100	66,69,48	100	19,11
1931-32	749	215	29,61,00	44	3,95
1932-33	1,232	353	30,27,31	45	2,46
1933-34	866	248	50,84,96	76	5,87
1934-35	935	268	36,46,63	55	3,90
1935-36	993	285	49,19,16	74	4,95
1936-37	1,175	337	1,09,04,63	164	9,28
1937-38	986	283	53,11,87	80	5,39
1938-39	996	285	45,26,61	68	4,54

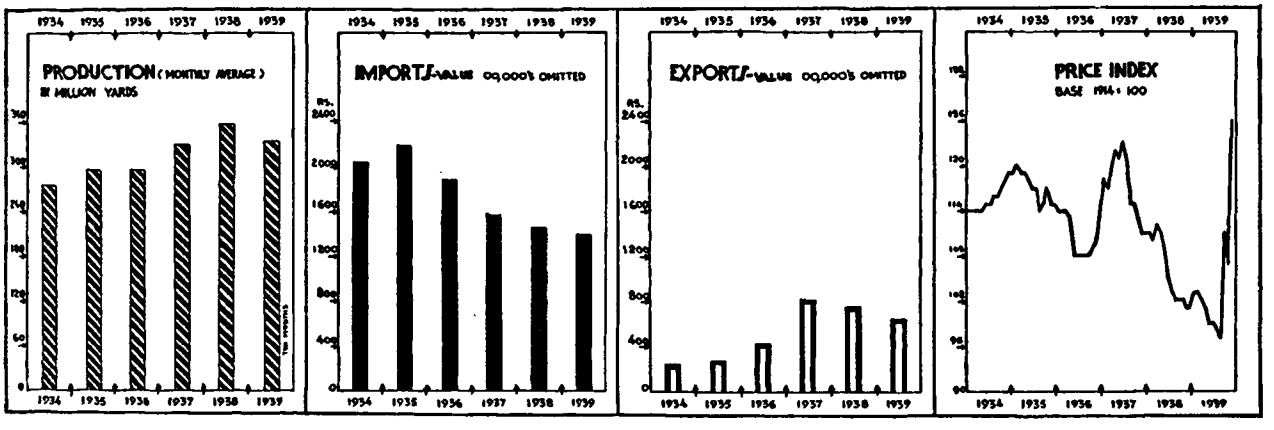
April to March=1 Year.

The following table shows the classification and distribution according to provinces of the companies registered during the year 1938-39, and those that ceased to work, went into liquidation or otherwise became defunct during the same period.

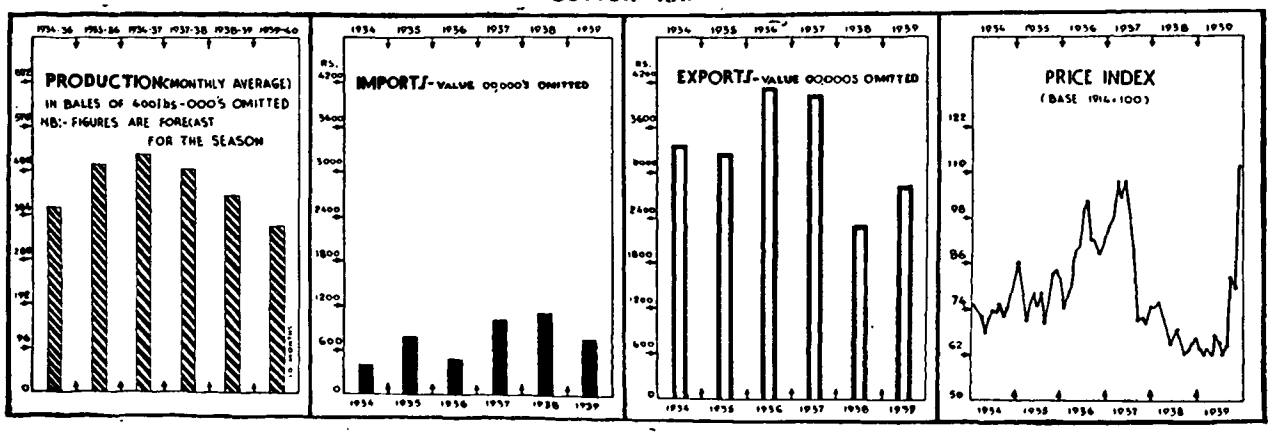
Description.	Registered.		Ceased to work.		Distribution according to Provinces.				
					Provinces.	Registered.		Ceased to work.	
	No. of Cos.	Authorized capital. (000's rupees).	No. of Cos.	Authorized capital. (000's rupees).		No. of Cos.	Authorized capital. (000's rupees.)	No. of Cos.	Authorized capital. (000's rupees.)
	1938-39.					1938-39.			
Trading and Manufacturing ..	568	20,02,32	225	4,21,42					
Banking, Loan and Insurance	65	7,13,13	139	2,56,91	Madras ..	199	3,07,84	96	2,03,59
Mills and Presses	88	5,73,23	31	1,73,62	Bombay ..	137	21,55,42	108	2,99,14
Hotels, Theatres and Entertainments	97	2,07,01	43	1,40,01	Bengal ..	324	10,66,29	118	3,22,92
Transit and Transport ..	87	6,46,59	21	43,24	U. P.	39	2,19,82	22	41,15
Estate, Land and Building ..	30	91,96	3	41,00	Punjab ..	104	1,48,13	47	1,31,15
Tea and Other Planting Companies	23	1,51,95	11	39,89	Bihar	20	87,00	1	1,00
Sugar	5	66,50	6	34,30	Others ..	173	5,42,11	102	1,98,34
Mining and Quarrying	20	58,32	6	42,00	Total ..	996	45,26,61	494	11,97,29
Other Companies	13	15,60	9	4,90					

Cotton.—After two years of moderate recovery, the Indian textile industry severely felt again during the first half of the year under review the impact of the economic recession which started late in 1937 and continued throughout 1938. The position of the industry showed signs of an alround deterioration. Demand for cloth was poor and production though curtailed owing to cessation of night shifts in most mills was still maintained at a fairly high level. The average monthly production for 10 months ending October 1939 amounted to 338·5 million yards as compared with 354.6 million yards in 1938 and 330 million yards in 1937. Towards the end of June the stock position became unbearably heavy. This was an indication of a developing unhealthy state of affairs. The cause of the inherent weakness of the mills' position, especially in Bombay, was, however, the rising cost of production with price of cloth tending downwards. The price of cotton manufactures persistently declined upto August 1939. The average index number of cotton manufactures declined from 103 in January to 97 in August. The cost of production had already gone up as a result of the rise in wage rates in 1937-38 and an additional burden was imposed on the industry by the decision of the Government of India to raise the import duty on cotton from 6 pies to 1 anna per pound. This was bound to weaken the competitive position of such Indian mills which produced cloth of finer counts and effectively competed with Lancashire manufactures both in the indigenous as well as in the colonial markets. Nor was this all. The Indo-British Trade Agreement provided for the reduction in duties on cotton

COTTON - MANUFACTURES



COTTON - RAW


PRODUCTION (MONTHLY AVERAGE)
IN BALES OF 400 lbs - 000's OMITTED
NB:- FIGURES ARE FORECAST FOR THE SEASON
IMPORTS - VALUE 00,000's OMITTED
EXPORTS - VALUE 00,000's OMITTED
PRICE INDEX
(BASE 1914 = 100)

piecegoods imported from the United Kingdom to India. This, no doubt, gave additional advantage to British textile manufacturers. It is estimated that India in normal times consumes roughly 4,200 million yards of cloth. The average annual production of Indian cotton mills ranges from 3,500 million yards to 4,000 million yards of which nearly 2 to 2¼ hundred million yards are exported. India imports 700 million yards of which 400 million yards are, by trade treaty, imported from Japan and the remaining from the United Kingdom. Unless there is a large increase in the consumption of cloth in India, the contemplated encouragement to the import of foreign cloth in India would, obviously, be at the expense of the indigenous cotton industry. It is significant to point out that the consequence of doubling the import duty on cotton was that cotton imports declined from Rs. 11,06 lacs in 1938 to Rs. 7,64 lacs in 1939, whereas imports of cotton yarn increased. During the nine months from April to December 1939 imports of yarn amounted to Rs. 2,35 lacs compared to Rs. 2,01 lacs in the corresponding period of 1938 and of these, imports from Japan during the nine months of 1939 aggregated to Rs. 1,81 lacs as against Rs. 1,09 lacs in the same period during the previous year.

During the past year India imported 624 million yards of cotton piecegoods valued at Rs. 9,90 lacs compared to 649 million yards valued at Rs. 10,93 lacs in the previous year. Indian exports of cotton piecegoods amounted to 195 million yards valued at Rs. 5,35 lacs compared to 186 million yards valued at Rs. 5,00 lacs in 1938. Among the countries where Indian goods are marketed, Burma, Straits Settlements, Federated Malaya States and Portuguese East Africa increased their imports, whereas Ceylon, Egypt and Nigeria decreased them as compared with the previous year.

According to the Cotton Mill Statement published by the Bombay Millowners' Association for the year ended 31st August 1939, the total number of equipped mills in India were 389 compared to 380 as on 31st August 1938; of these 22 mills were partially or completely idle as against 25 in the previous year. The number of Spindles totalled at 10,059,000 compared to 10,020,000 on 31st August 1937. The total number of looms increased by 2,200 to 202,464.

In 1939, the cotton textile industry consumed 1,905,367 candies (784 lbs. each) of cotton which shows an increase of about 174,000 candies over last year.

The outbreak of war gave rise to brighter expectations though these have not been immediately fulfilled. On the declaration of war, demand for cloth suddenly burst forth and prices were pushed up. This buying movement from upcountry centres represented demand for replenishing and keeping stocks by merchants in anticipation of a rise in cloth prices. No doubt there was also some genuine demand for consumption as people rushed to buy their requirements in advance of a further increase in prices. With the decline in commodity prices conditions in the cloth market became sluggish. Prices are maintained at a fairly high level but demand for cloth has dwindled.

On a long term view, however, the prospects for the Indian cotton mill industry are definitely encouraging. It is, therefore, worth analysing whether, taking all the relevant circumstances into account the industry would be able to derive maximum benefit from the war situation.

As war proceeds, demand for India's raw materials is bound to increase and, in consequence, commodity prices will be maintained at a high level. This should raise the income of the agricultural community as a result of which the total demand for cloth in the country should materially expand. It is necessary to point out that this assumption would prove valid only if the price of cotton manu-

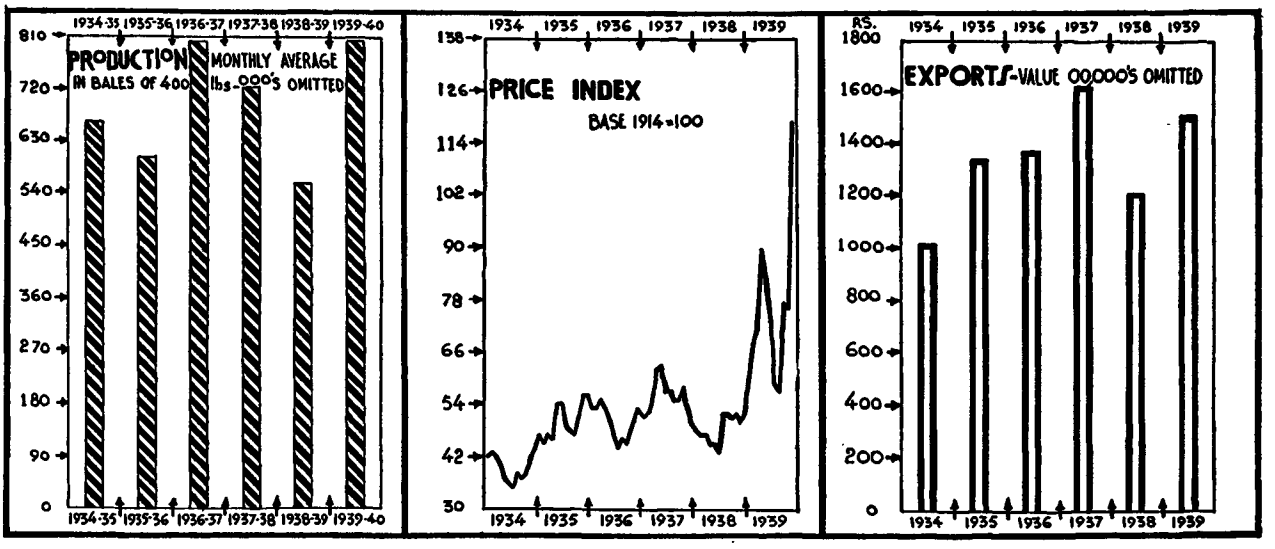
factures would not rise proportionately higher than the general level of commodity prices. There has not been so far an undue rise in the price of cotton manufactures. On the other hand, *pari passu* with the increase in cloth prices cost of production is steadily rising. Labour demands a substantial increase in wages in anticipation of " war profits." The Indian mills cannot afford to have labour trouble at this juncture as that will result into serious losses for the industry as a whole. For now is the opportunity for the Indian textile industry to consolidate its position permanently in the home as well as the overseas markets. It is difficult to judge the trend from the trade figures for the past four months but during that period imports of cotton piece-goods were lower at Rs.3,43 lacs compared to Rs.3,81 lacs in the corresponding period of the last year. Exports of Indian cotton manufactures were higher at Rs.1,86 lacs as against Rs.1,48 lacs in the last four months of 1938. It appears, thus, that the Indian manufacturer is able to strengthen his competitive position now. But there are two factors which merit serious consideration. Firstly, the negotiations for Indo-Japanese trade treaty are under way, and it is reported that the Japanese interests are putting forward a case for reduction in import duty on cotton piecegoods from Japan and an increase in the volume of the present import quota of 400 million yards in exchange for an increased offtake of Indian Cotton by Japan. It may be hoped that the Government of India will do nothing that will affect adversely the interests of the Indian cotton manufacturer. Secondly, there is the Excess Profits Bill. If the year 1938-39 is not included in the standard years, the incidence of the tax will be very heavy on the cotton industry as a whole.

Jute.—In the New Year, three factors combined to consolidate the improvement in the jute manufacturing industry's position. These were (*i*) reduction in working hours to 45 per week (*ii*) an order for 200 million sandbags and (*iii*) the coming into operation of the working agreement among the jute mills in Bengal. As a result of the reduction in working hours, production was reduced during the first six months of the year, the average monthly production being 94,300 tons compared to 110,000 tons in the corresponding period of the previous year. But stock position was heavy. Early in February came an order for 200 million sandbags which assisted the mills in improving the position. Furthermore, the machinery for adjusting output to demand was introduced at a very opportune moment. For, towards the end of July when the order for sandbags neared completion, the stock position again grew disquieting. The Indian Jute Mills Association, however, with a view to applying a brake on production, readily proposed to their members to seal 20 per cent. of hessian looms and 7½ per cent. of sacking looms. But the Government of Bengal recommended that the mills should, instead of sealing the looms, reduce the working hours from 45 to 40 and the Association accepted their recommendation. Soon after the new arrangements came into effect (31st July) war broke out in Europe. There was a feverish demand for all kinds of jute goods and further orders for sandbags were received. In September, all looms were unsealed and hours of working were increased to 45 per week. A large order for 500 million sandbags from the British Government, which were to be delivered by April 1940, demanded acceleration of output and hours of work were further increased to 54 and finally to 60 per week. Production in consequence increased. Total monthly production of hessians and sackings, which averaged 86,000 tons for 9 months ending September, rose to 104,000 tons in November and 110,600 tons in December. For ten months

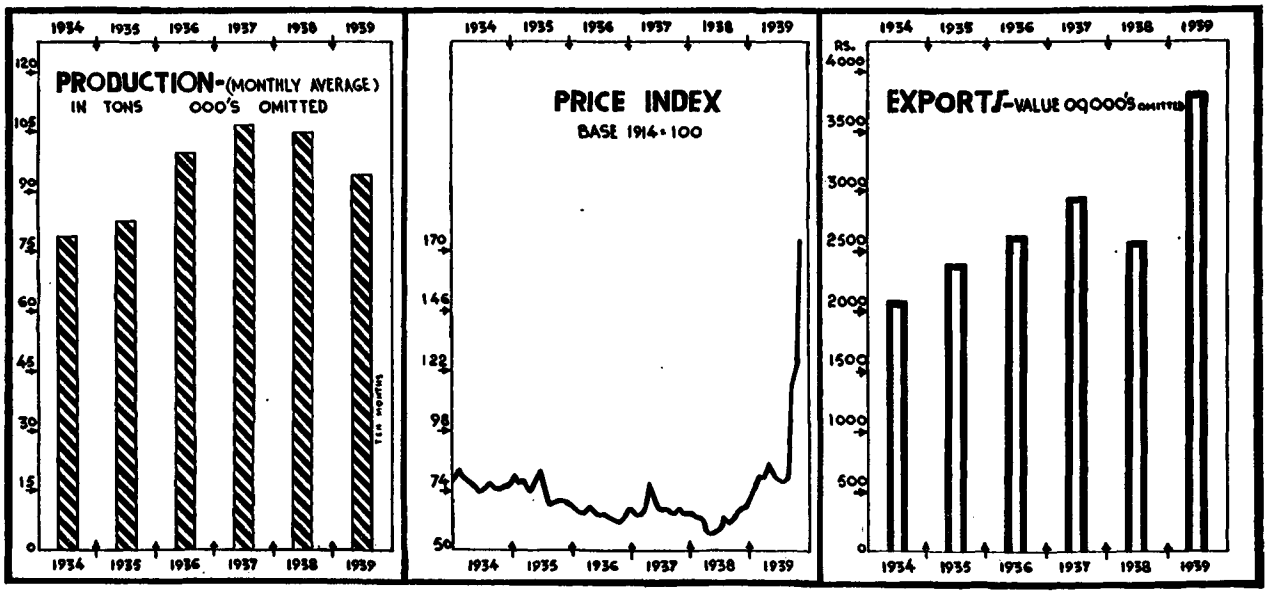
ending October 1939 the total production of jute mills in India amounted to 944,000 tons compared to 1,084,200 tons in the corresponding period of 1938.

The price of hessians (9 porters) per 100 yards showed considerable improvement over last year and the quotation steadily advanced from Rs.8-1-3 on 15th January to Rs.9-1-8 on 15th May but sagged to Rs.8-1-9 on August 15. On the outbreak of war, the price rose from Rs.9-8-6 on 31st August to Rs.11-4 on the 4th September and further advanced to Rs. 15-1 on 15th September. There was heavy speculative activity during November and December and the price of 9 porter hessians touched the highest level of Rs.25 per 100 yards in December.

JUTES RAW



JUTE MANUFACTURES



Exports of jute manufactures during 1939 were higher both in quantity and value compared to those in the previous year. India exported 1,020,927 tons of jute manufactures (including twist and yarn) valued at Rs.38,40,08,000 as against 963,182 tons valued at Rs.26,17,70,000. During the last four months—September to December 1939—exports of jute manufactures amounted to 400,362 tons valued at Rs.18,30,56,000 compared to 342,403 tons valued at Rs.9,30,81,000 in the corresponding period of 1938. A bulk of these exports was, of course, destined for the United Kingdom. Stocks in North America were maintained throughout 1939 at a reduced level than in the preceding year and consumption of jute manufactures averaged lower upto August than in 1938 but demand improved during September-October 1939.

Conditions in the raw jute section were on the whole better than in the previous year. The crop for 1938 was damaged and the agriculturist obtained a poor return. Sowings for 1939 season were more extensive and the value of the raw material improved throughout the year under review. The Average index number of raw jute (July 1914=100) which stood at 59 in January steadily advanced to 90 in April, but thereafter the decline in prices set in and in July-August when the new supplies were coming on the market prices sagged and the index number dipped below the January level to 57. At this juncture the Government of Bengal fixed the minimum price of raw jute in the *futures* market at Rs.36 (per 400 lbs. bale). Soon trade buying was in evidence and prices resumed the upward trend. Increased demand, large sandbag orders and high prices of manufactured goods caused a sharp rise in the price of raw jute. During November the price of jute *ready firsts* advanced from Rs.59 to Rs.109 (per bale of 400 lbs.) and with speculative activity in full swing the price touched the high level of Rs.120 (per bale of 400 lbs.) in December. Exports of raw jute during 1939 were lower in quantity but higher in value compared to the figures in the preceding year. India exported 585,166 tons valued at Rs.15,29,31,000 as against 656,957 tons valued at Rs.12,24,31,000.

The prospects for the jute industry showed improvement ever since the internal differences were composed and the machinery for regulating output to demand became operative. During the year it steadily recovered the ground which it lost during the period of internecine quarrel. Apparently, the jute industry ought to benefit most on account of the war. There are, however, two factors which might hamper the smooth working of the industry :—firstly, labour troubles and secondly, disparity in the prices of raw jute and manufactured goods. Fortunately the jute mills readily conceded a reasonable rise in wages at the outset and thus for the time being peaceful working is assured. It has become evident, however, that the price of raw jute at times ruled proportionately much higher than the price of hessians. This disparity would lead to a further rise in cost of production. This would affect the profits of the mills and would tend to attract substitutes in the field. The jute industry has for a long time maintained its well-nigh monopolistic position in the world market and this was due chiefly to the fact that jute was a cheap packing material.

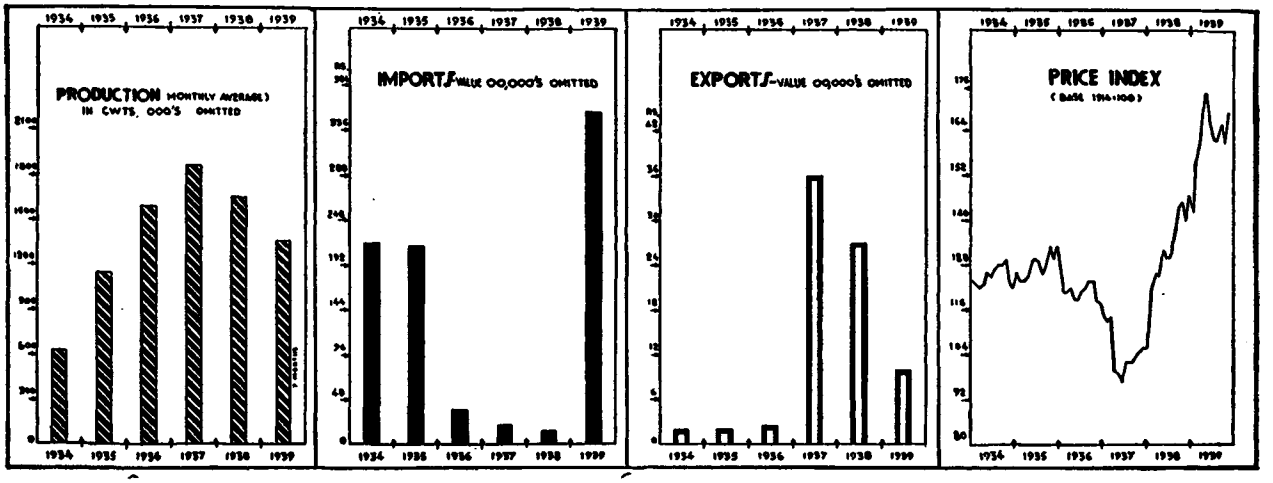
Sugar.—There was a fair improvement in the position of the sugar industry in India during 1939. Last year, the Governments of Bihar and the U. P. enacted legislation for the regulation of the sugar industry in those Provinces. In pursuance of that, the prices of sugarcane were fixed by Government from time to time and the All-India Sugar Syndicate arranged for the marketing

of sugar. It has been observed that legislation passed by the two Governments affecting nearly 85 per cent. of the sugar companies in India was of real benefit to them in so far as it brought about cohesion within the industry.

The factors which affected the position of sugar industry in 1939 were firstly, the shortage of crop during 1938-39 season and shorter working season during the same period and secondly, the policy of the Government of India regarding the protection afforded to the sugar industry.

The sugar cane crop of 1938-39 season was a short one as the crop was damaged by floods and pests. The output of sugar was, therefore, expected to be much lower and this brought about a sharp rise in prices. Taking the figures for nine months, *i.e.*, from November to July, production of sugar amounted to 13,212 cwts. in 1938-39 compared to 18,863 cwts. in the corresponding period of 1937-38 and 22,724 cwts. during 1936-37. The index number of sugar prices (Base July 1914= 100) persistently rose from 143 in January to 174 in May and after touching 161 in October, advanced to 169 in November. The result of the curtailed output and a rise in prices was a phenomenal increase in imports of sugar from Java. India imported in 1939, 278,250 tons of sugar valued at Rs.3,57,73,517 compared to 9,985 tons valued at Rs.14,54,088 in the preceding year. Of these, imports of sugar from Java in 1939 amounted to Rs.3,08,01,229 as against Rs.5,99,773 in 1938.

SUGAR



The Government of India published the report of the Tariff Board Inquiry into the sugar industry together with their decisions regarding the measure of protection to be given to the industry. The main recommendations of the Tariff Board were as follows :—

(1) Fair selling price of Indian sugar is Rs.6-13-10 per maund to which sould be added 9 annas per maund for freight and 5 annas for quality making roughly Rs.7-12 per maund. Java sugar could be landed at Rs.2-7 per maund and the protection required is, therefore, Rs.5-5 per maund or Rs.7-4 per cwt. This amount of protection should be granted for eight years. (2) Permission should be accorded for the manufacture of power alcohol on the understanding that it bears the same rate of duty as petrol. (3) No special protection is necessary for the gur industry apart from the

protection granted to sugar. (4) Research work on the agricultural side is inadequate and an allotment of three annas per cwt. from the excise duty should be made for central research and assistance to Provincial Agricultural Departments. (5) A marketing survey of the sugar industry should be undertaken. (6) The additional excise duty levied in 1937 has had unfortunate consequence for the cane grower and manufacturer. At the prevailing level of prices, the present reduction in excise duty is out of proportion. (7) The rationalisation of the industry under some form of State control is desirable. For this purpose, an all-India conference representing all interests should be convened.

Discussing the consequences of protection, the Board observed in connection with the additional excise duty imposed in 1937 that "the conclusion is forced upon us that in the peculiar circumstances of the sugar industry a change in the level of excise duty without notice in the middle of the working season leads to unexpected complications and undesirable consequences. Unless the price of sugar can be raised to a level approaching the fair selling price suggested by us for the remaining period of protection, we doubt if the present level of excise duty can be maintained without detriment to the industry and particularly to the interest of the cultivator."

The Tariff Board laid an emphasis on the necessity for the rationalisation of the sugar industry under some form of State control and it concluded that " failing the rationalisation of the industry under State control we doubt if the excise duty can be maintained at the present level. The effects of a reduction of the duty on the revenues of the Central Government will obviously be serious, but we see no alternative to such a reduction unless the price of sugar can be stabilised at a level which will allow of the payment of a fair price for cane to the grower and a reasonable margin of profit to the manufacturer."

The Government of India commenting on the proposals of the Tariff Board observed that the recommendations of the Board contained proposals which cover a very wide field and necessitate consultations between the Central and Provincial Governments and other interests concerned. The Government of India, therefore, confined their examination to the recommendations dealing with the measure of protection. The Government considered that the figures taken into account by the Board in their estimate of the fair selling price for Indian sugar, notably manufacturing costs and profit and for adjustment of difference in quality are susceptible of reduction. They also considered questionable the landed price of Java sugar at Rs.2-7 per maund. The Government considered that since the Tariff Board's report was handed over to the Government, conditions had changed in many respects and the report was, therefore, out of date. The Government considered further that in view of the elaborate and extensive system of control devised by the U. P. and Bihar Governments, it was not possible to fix the level of protection for the whole of unexpired term without a further inquiry. They agreed that the industry was still in an unstable position and sufficient time must be given to it to adapt itself to the new conditions. The Government of India, therefore, proposed to fix the amount of protection for a period of two years from April 1, 1939 to March 31, 1941, pending further investigations to be held in 1940. The Government regarded the Board's remarks on the increase in excise duty in 1937 as outside the scope of the Board's inquiry and therefore, call into question the appositeness of that part of the Board's report.

The manifold problems of the industry, however, still remain unsolved. For the present, they appear to be shelved pending further inquiry into the conditions of the industry at the end of 1940.

The official control established through legislation by the Governments of the U. P. and Bihar has indeed operated for the benefit of the industry, but it has given rise to fresh problems. It has been complained that in trying to look after the interests of the cane grower and the consumer, the interests of the miller have not been properly safeguarded. After the declaration of the war, sugar prices advanced considerably and under the special conditions prevailing, it appears that they will be maintained at remunerative levels. It may be that India may have a chance to export its surplus sugar to the U. K. provided the shipping difficulties can be overcome. The sugar industry in India should certainly do better than it has done for the past two or three years, but the rumour is so rampant that the Government of India propose to increase the excise duty still further that the All-India Sugar Mills Association had to issue an official communique protesting in advance against such a rise. There is no doubt that any further increase in the excise duty will considerably weaken the position of the industry and aggravate the unstable state of affairs prevailing in the industry.

Iron & Steel.—Usually the activity in the iron and steel industry provides an index of the total industrial activity, but in 1939 under the special influence of rearmament, steel production was maintained at a high level in almost all the major steel producing countries. In the United Kingdom, rearmament activity was accelerated after the crisis in September 1938 and early in 1939 figures of steel production registerd a big rise over the corresponding figures for the previous year. In the U.S.A. steel operations in the first quarter were maintained at the levels established in the last quarter of 1938 and although in the second quarter there was a slight decline, production was gradually stepped up during the last two quarters, the fourth quarter steel output setting the highest quarterly record. The steel activity in the U.S.A. was due not to the rearmament production, but the expanding internal and overseas demand for steel and manufactures thereof. India was no exception to the rising trend in iron and steel production in other countries. Production of pig iron in India for the ten months ending October 1939 amounted to 1,435,700 tons, the average monthly production being 143,500 tons compared to 129,200 tons in 1938 and 136,800 tons in 1937. A bulk of this is absorbed in India whereas about one-third of the total production is exported. During 1939, India exported 556,974 tons of pig iron valued at Rs.2,78,59,094 compared to 525,529 tons valued at Rs. 2,59,93,351 in 1938 and 599,333 tons valued at Rs. 2,08,79,266 in 1937. The two largest importers of pig iron from India were the United Kingdom and Japan. The United Kingdom imported in 1939, 210,573 tons valued at Rs.1,05,26,868 compared to 129,824 tons valued Rs. 66,09,976 in the previous year. Indian exports of pig iron in 1939 to Japan were lower at 294,187 tons valued at Rs. 1,47,24,350 as against 323,046 tons valued at Rs.1,60,85,506 in 1938, the fall in exports being largely due to difficulty in shipment. The prices of pig iron were stable upto November 1939, the index number of pig iron foundry No. 1 (Base July 1914=100) remaining unchanged at 168. Since then there has been an advance in prices and the price of pig iron foundry No. 1 has increased from Rs.89 to Rs.95 per ton. The production of steel ingots and finished steel also increased during the year. The average monthly production of steel ingots for ten months ending October 1939 was 82,410 tons compared to 80,200 tons in 1938 and 76,100 tons in 1937 ; similar figures for the production of finished steel were 83,000 tons for ten months of 1939, 75,100 tons for 1938 and 69,000 tons for 1937. Prices of steel manufactures

were better than in 1938 upto August 1939. The index number of galvanised corrugated sheets (Base July 1914=100) improved from 147 in March 1939 to 151 in April and remained stationary thereat till August, whereafter it advanced to 156 in September, 185 in October and 188 in November. The prices of galvanised corrugated sheets have since then registered a further rise. Imports of iron and steel and manufactures thereof in 1939 amounted to 216,474 tons valued at Rs.5,30,79,849 compared to 200,288 tons valued at Rs.5,44,55,980 in the previous year. Though the aggregate volume of imports for the whole year of 1939 was higher, both the volume and value of imports for the past four months were lower at 38,628 tons valued at Rs.1,01,80,638 compared to 74,226 tons valued at Rs.1,97,22,578 in the corresponding period of 1938.

During the year under review, the Steel Corporation of Bengal commenced operation. The Tata Iron and Steel Company have decided to extend their plant during the current year. This expansion is inevitable in view of the war orders which they would be commissioned to execute and also in view of the favourable recommendations of the Committee of Experts to manufacture locomotives in India. The new "A" blast furnace with a daily productive capacity of 1,000 tons has already started operation. This will raise the Company's annual productive capacity of pig iron to 1¼ million tons. The Company also proposes to instal a plant for the manufacture of wheels, axles and steel tyres which are necessary for the large-scale manufacture of locomotives in India. It is estimated that after the new undertakings are completed, production of steel ingots in 1940 will be about one million tons and of finished steel 750,000 tons rising in 1940-41 to 800,000 tons and eventually when all extensions are complete, the production will rise to 900,000 tons.

It is a happy augury for the industry that the Tata Iron & Steel Company and the Steel Corporation of Bengal have concluded an agreement regarding the marketing of their products, thereby eliminating any unfair competition between the two steel-producing concerns in India.

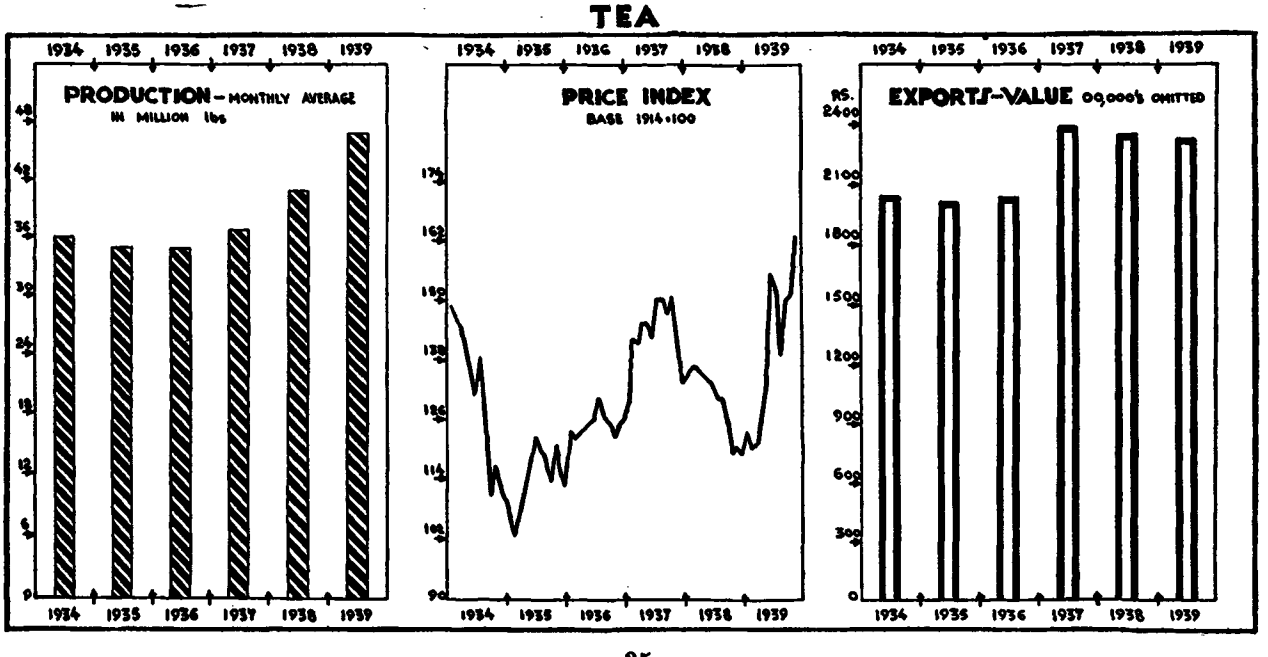
Cement.—The condition of the cement industry deteriorated in the year under review. The main reason for this state of affairs was the internal competition which resulted in further lowering the cement prices. Figures of cement production are not available, but the reports that more cement factories are being erected and the output is maintained at a high level indicate that production has gone up during 1939. Demand for cement would certainly be affected by the onset of economic recession and reduction in building activity. Cement is being used for various other purposes and it appears that the producers are trying to market their goods as efficiently as possible. India is now practically self-sufficient so far as her present requirements of cement are concerned. Imports of cement were lower this year at 13,385 tons valued at Rs.7,37,824 compared to 23,481 tons valued at Rs.10,40,336 in 1938 and 39,540 tons valued at Rs.15,73,858 in 1937.

It was reported that the two rival units in the industry started negotiations with a view to bring about some sort of integration in the industry but no agreement was reached. It is a pity that the industry which was best organised only a few years ago is now brought to such a pass through internecine quarrel. It is premature to judge in what way war will affect the fortunes of the cement industry. But, it is certain that even if circumstances arose which might present opportunities advantageous to the industry, it will not benefit to the extent that it should unless and until the internal warfare ceases.

Tea.—On the whole, the year under review was comparatively better than 1938 during which the industry came under the pervasive influence of the economic recession. Prices of tea showed a downward tendency and no improvement took place at least during the first five months of the year. The average index number of tea prices (Base : July 1914 = 100) which stood at 131 in August 1938 gradually declined to 120 in December 1938 and thereafter, after touching 124 in January 1939, again receded to 122 in March. The profits of the tea companies for the year 1938 whose results were published in 1939 were reduced from the levels attained in 1937. The industry is, however, fortunate in having the regulative machinery which adjusts supply to demand for tea. The scheme for the International control of tea exports was extended for a period of five years from April 1938 and the Indian Tea Control Act 1938 was passed by the Indian Legislature to regulate the production and marketing of tea. The export quota for 1938-39 was 92½ per cent. compared to 87½ per cent. for 1937-38. The quota for 1939-40 was fixed at 90 per cent. of the standard export figure and that for the current year is fixed at 95 per cent. The Internal quota for the season 1939-40 has been fixed at 15 per cent. of the standard crop basis.

The estimated production of tea in the 1938-39 season was about 453 million lbs. compared to 430 million lbs. in 1937-38, the advance in production having been due to an increase in the export quota. The production of tea in Northern India for eight months from April to November 1939 amounted to 378 million lbs. compared to 367 million lbs. in the corresponding period of 1938. Exports of tea in 1939 were slightly lower at 326,764,000 lbs. valued at Rs.23,37,16,000 as against 352,510,000 lbs. valued at Rs.23,58,63,000.

Since May 1939, tea prices showed improvement. The average index number of tea prices advanced from 122 in March to 133 in May and rose to 156 in June, but again slumped to 140 in August. On the outbreak of war, commodity prices advanced sharply and the average index number of tea prices reflected the general trend; it advanced to 151 in September and rose to 164 in November. The improvement in prices was also noticeable in the figures of exports of tea for the last four months of 1939; though the quantity of exports during that period was lower than that during the corresponding period of last year, the value realised was higher.



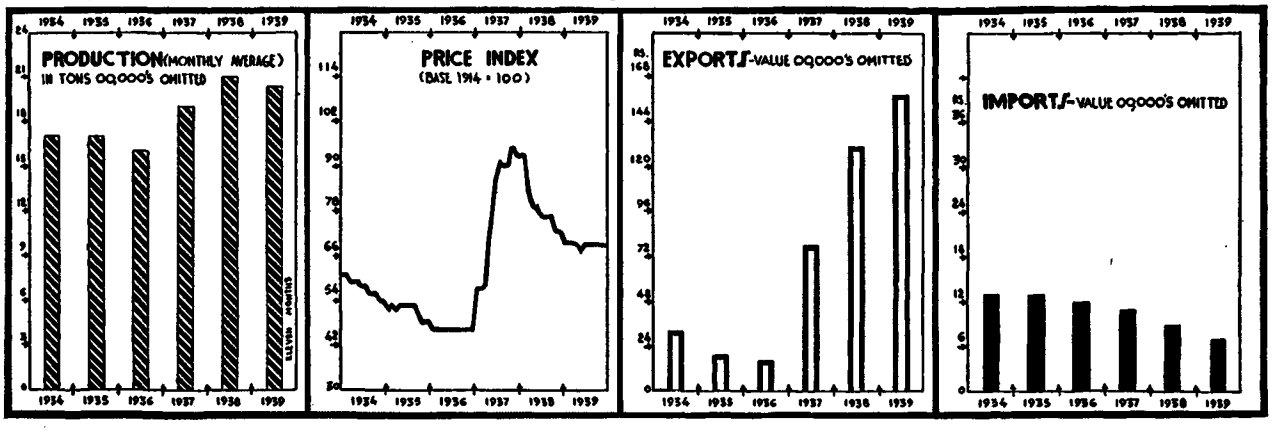
The outbreak of war gave rise to optimistic expectations, but it being realised that tea was one of the necessaries of life it was soon brought under the control of the Ministry of food in Great Britain. On 5th September 1939, a " stand-still " order was made that all prices should be kept at the level of the ten days previous to 5th September. This order was, however, virtually a dead letter owing to the policy of short releases pursued by the Ministry. It is expected that with larger releases the maximum prices for wholesale and retail sales will be fixed. Of major importance to the tea industry in India is the proposed long-term agreement between the Ministry of food and the tea industry under which the Government will continue the tea control inaugurated at the beginning of the war. The new plan fixed the period of duration of the agreement from 1st January 1940 to 15th February 1941. The remuneration to be paid will be fixed on the basis of the average prices obtaining in the years 1936, 1937 and 1938. Allowance of about 1*d.* per lb. will be made to producing companies in respect of increased costs of production. The draft agreement has evoked complaints about the basis of remuneration as the terms generally are not regarded as offering the growers possibilities of making large profits.

The Indian Tea Cess Act which was due to expire on the 31st March 1938 was extended by the Government of India for a period of ten years. The cess on tea was increased from Rs. 1-4-0 to Rs.1-6-0 per 100 lbs. The Indian Tea Market Expansion Board carries on vigorous propaganda for popularising tea and it appears their efforts bear fruit as they did in the previous year.

Coal.—The coal industry in India was affected during the first half of the year by the economic recession, but conditions improved in the latter half of the year especially after the outbreak of war. Although production was satisfactory throughout the year, prices declined. Production of coal during the eleven months ended 30th November 1939 (figures relate only to coal produced in British India) amounted to 22,501,000 tons compared to 25,213,000 tons in 1938 and 22,209,000 tons in 1937, the average monthly production in 1939 being 2,045,000 tons as against 2,101,000 tons in 1938 and 1,850,000 tons in 1937. Production was maintained at this high level for two reasons: firstly, demand for export was even better than last year and the offtake for internal requirements was also fair; secondly, the growing tension in international political affairs induced some of the producers to carry fairly large stocks as reserve in case war broke out. The calculations of the producers have been justified by the events. Exports of coal in 1939 amounted to 1,688,502 tons valued at Rs.1,63,38,926 compared to 1,343,033 tons valued at Rs.1,35,50,609 in the previous year. As in the previous year, the rise in exports was accounted for chiefly by increased offtake by China, Hongkong, and Ceylon. Fortunately, the railway contract for Ceylon was retained. Owing to the continuance of Sino-Japanese conflict, China depended mainly on imports of Indian coal for her requirements. On the outbreak of war, demand for coal assumed abnormal proportions and stocks have been cleared. Prices of coal, however, showed a downward trend for the major part of the year, *i.e.*, upto the end of August. The price of poor quality coal suffered a sharper decline than the price of better class coal. The reason for this disparity in fall was the fact that the prices of better class coal were supported by the improved demand for export of this quality coal whereas poorer class coal in the absence of such support experienced a heavier fall. The index number of the price of Dishergarh coal (Base : July 1914—100) which stood at 67 in December 1938, declined to 60 in January and further receded to 57

in May and again advancing to 60, continued steady thereat till November. The index number of the price of Jheria grade No. 1 stood at 77 and remained unchanged thereat upto November 1939. The decline in prices is attributable to two causes :—(*i*) intense competition among producers and the opening of new large-sized Government collieries (*ii*) excess of production over demand for internal consumption. It is contended that the present level of production is pretty high and, but for the rise in exports, would appear to be far in excess of the country's normal requirements.

COAL


PRODUCTION (MONTHLY AVERAGE) IN TONS 00,000'S OMITTED
PRICE INDEX (BASE 1914 = 100)
EXPORTS-VALUE 00,000'S OMITTED
IMPORTS-VALUE 00,000'S OMITTED
1934 1935 1936 1937 1938 1939

Since the outbreak of war, demand for coal both for export as well as internal requirements has risen and prices have advanced. However, the question of wagon shortage which recurs almost every year, is not yet satisfactorily solved. It may be hoped that the Railway Authorities may soon set up machinery to deal with this problem with a view to ensure that wagons may be distributed in the best possible way so that this ever-recurring complaint may be removed.

Of importance to coal industry was the Sand-stowing Bill introduced by the Government of India and passed by the Central Legislature in April 1939. The main provisions of the Bill were two :—(*i*) conferment of power on the Mining Inspectorate to enforce stowing and the construction of protective works when such measures were necessary for the safety of the workers (*ii*) creation of a fund by levying an excise duty for assistance towards stowing. The excise duty is levied at present at the rate of 2 annas per ton on all despatches of coal and coke and came into effect from 1st December 1939.

Paper.—The important event which directly affected the paper industry in India was the publication early in the year of the report of the Tariff Board Inquiry together with the decisions of the Government of India in the light of the Board's recommendations. Briefly, the most important recommendations of the Tariff Board were as follows :—(*i*) There should be a protective duty on imported wood pulp of Rs.35 per ton or 25 per cent. *ad valorem* whichever is higher; (*ii*) the duty on protected classes of paper should be 11 ps. per lb.; (*iii*) the period of protection should be extended by seven years from April 1, 1939; (*iv*) there should be a further inquiry at the end of 1939 to ascertain whether the new developments warrant protection being extended to classes of paper not at present protected.

The Government of India agreed that it was necessary to continue protection to the paper industry but they fixed the period of protection to further 3 years after the expiration of which the question of protection will again be referred to the Tariff Board. The Government removed the protective duty of Rs.45 per ton on wood pulp and fixed revenue duty of 25 per cent. *ad valorem* on imported wood pulp which, they were convinced, was sufficient to permit the manufacture of bamboo pulp in India at economic rates. As regards the duty on the protected class of paper the Government reduced the duty from 11 ps. to 9 ps. per lb. and in order that certain kinds of writing paper may not pass on payment of nominal duty an alternative rate of 25 per cent. *ad valorem* was levied on such paper.

Production of paper in India was higher during the year under review, the total for ten months ending October 1939 being 1,048,000 cwts. compared to 966,000 cwts. in the corresponding period of 1938. The average monthly production for ten months ending October was 104,800 cwts. as against the average monthly production of 96,600 cwts. in 1938 and 79,690 cwts. in 1937. The rise in production coupled with a falling off in demand owing to economic recession brought the prices to low levels. The simultaneous reduction in import duties on wood pulp and paper and intense internal competition accentuated the fall with the result that the prices touched the lowest level for the past twenty years.

Imports of paper paste-board during 1939 amounted to 2,835,929 cwts. valued at Rs.3,04,72,715 compared to 2,964,323 cwts. valued at Rs. 3,24,60,812 in the previous year. Imports of wood pulp were also lower at 185,293 cwts. valued at Rs.14,62,645 as against 273,507 cwts. valued at Rs.25,39,171.

The prospects for the paper industry in India have considerably improved on account of the war situation. Prices of paper have advanced substantially. Imports of paper and paste-board for the past four months show a declining trend, the quantity imported during the period aggregating 574,832 cwts. valued at Rs.70,31,993 compared to 1,159,627 cwts. valued at Rs.1,15,20,133 in the corresponding period of 1938. The figures for the September-December period of 1939 show drastic reduction in import of wood-pulp. This falling off in imports is largely due to the fact that our trade with the Scandinavian countries is practically cut off owing to the German blockade. For the duration of war, not only competition from abroad will be in abeyance but India will experience shortage of paper in certain varieties. The old established mills have installed new machineries and are now capable of supplying to a certain extent substitutes for varieties of paper so far imported. The factor of internal competition is still there, and it may be hoped that some sort of regulative machinery may be evolved by the industry whereby output of paper in India may be regulated in accordance with demand.

Political Conditions.—Normally politics should occupy little space in a financial review, but in recent years the course of political events has exerted profound influence on economic development. Throughout this survey, it will appear, an attempt is made to reveal the impact of political forces on economic and financial conditions in various countries and particularly in India. Repercussions of the crises in international political affairs were felt in India, if not quite to the extent that they did in European countries at least in a degree which was bound to affect Indian economy vitally. For India is linked with the outer world by commercial ties and everything that disturbs these trade relationships would also affect her internal economic structure. Whereas the impact of external political events was severe, internal political

conditions remained calm and peaceful. During the first nine months of the year Provincial Autonomy worked successfully and in all the eleven Provinces popular governments were in office. Soon after the outbreak of war, however, this arrangement which had operated for the past 27 months, came to an abrupt end in the seven Provinces on the resignation of the Congress Ministries. The Congress Party asked the British Government to declare the aims for which Great Britain and the Allies had taken up arms and coupled with this, was the demand for the clear definition of India's political status. A series of interviews were arranged between the Viceroy and the leaders of the various political parties. It appeared that the gulf between the Crown Representative's proposals for securing Indian co-operation and the Indian demands was considerable. The deadlock continues and the constitution has been suspended in seven Provinces in India. This is indeed a very deplorable state of affairs. Without apportioning blame, however, it must be said that the present political impasse is the result of the failure to usher in responsibility at the centre soon after Provincial Autonomy was inaugurated. It is true that various interests had to be consulted before federal part of the 1935 Act could be brought into operation. But this should not have proved an obstacle to the setting up of responsible government at the centre in British India. In the meantime, a very disquieting development has been the growth of communal politics. There is no doubt that the legitimate interests of the minorities must be safeguarded and they must be given equal opportunity to participate in the government of the country. It seems the introduction of separate electorates for the minorities has been responsible for the growth of communalism in Indian politics.

The Outlook.—The overhanging shadow of war in Europe has, for the time being, clouded all other issues. The growing forces of autarchy at last succeeded in ousting the healthy international outlook, so essential for political as well as economic well-being. Although a keen desire for peace is expressed everywhere the conditions necessary for bringing it about are still lacking, to say nothing of making it everlasting or even lasting. Whether the year 1940 will see the prevalence of the forces for the preservation of human life over the forces for its destruction, that is, whether the conflict will remain localised, will spread or cease altogether is more than one can prophesy.

In the economic sphere dislocation was inevitable once the political situation deteriorated. International trade has been handicapped by intense naval warfare. Though the British convoy system has somewhat restored sea-transport to a normal state, the menace from aerial attack is still an unknown factor.

The belligerent countries are naturally tuned to a thorough-going war effort. India, too, has to contribute her share in men, material and money although far removed from the actual theatre of war. The early expectations of a revival in trade and industry following increased demands on the outbreak of the war were, however, marred by the introduction of price control machinery in the provinces and the levy of excess profits tax in the centre. Various restrictions were brought in for exports and imports as well as for foreign exchange.

These measures checked, to a certain extent, the development of those industries which were beginning to revive. The jute industry had been steadily recovering the ground it had lost during

the long period of internecine quarrel. Prior to and after the outbreak of war demand for jute had substantially increased and prices were looking up. But they have not maintained the upward trend. The textile and sugar industries have hardly come up to expectations. Moreover, the labourers are demanding a dearness allowance in almost all industries and strikes are threatened on all sides. Even if the above demands are granted partially, the cost of production is bound to go up in the textile and sugar industries.

Although revenue figures for the year 1939-40 seem to indicate an increase over the estimated figures, expenditure is bound to mount up in view of the proposed war-measures. The Railway revenue also points to an excess over estimates. In spite of all these favourable conditions, modifications in the Niemeyer Award were thought necessary and Orders in Council made substantial changes in the apportionment of revenue. More appropriation by the Centre was thought probable to make up for the increased military expenditure for the activity of the Defence Services in India as well as abroad.

All these point to a policy of increased taxation to finance the war. Attention must be paid at the same time to develop local industries which may prove useful not only during the war but may retain their utility when peace is established. Along with the efforts to prosecute the war with success must go endeavour to build up an economy which will fit in readily in the peace plan. If that is done, then alone complete disaster will be averted. Till that is achieved the outlook must remain uncertain.

Gold.—The monetary value of gold which has been rising in the sterling area at a phenomenal rate since 1931 advanced at an accelerated pace during 1939. The first eight months of the year saw practically no change in the rupee price of gold, but between August 25 and the end of the year there was an increase of 15 per cent. From the beginning of the year, however, the pound sterling appeared to be over-valued in terms of gold, and as early as January 5, the British Treasury put an unofficial embargo on forward dealings in gold and gold currencies except for genuine trade purposes. This weakness of sterling in terms of gold and the holy alliance between the Rupee and sterling was answerable for a strong demand for Indian gold and during the course of the year 2,434,661 ounces of gold valued at Rs. 25,75,46,197 were shipped abroad, and in addition to this, gold worth Rs. 14·81 crores (estimated at 1½ million ounces) was held ear-marked on account of purchasers abroad. Compared with 1938 gold exported and ear-marked in 1939 was greater by 100 per cent. in terms of value and 50 per cent. in quantitative terms.

Until the outbreak of hostilities in Europe variations in the Rupee price of gold were narrow and were in consonance with the fluctuations in the sterling/dollar or the rupee/sterling exchange rates. In the opening week of January the price of the metal touched Rs. 37-9-6 per fine tola when the London quotation was marked up to 150 sh. 5d. per fine oz., but subsequently kept pegged around Rs. 37-2 because the sterling/dollar rate was effectively held by the British Control between 468⅜ cents and 468½ cents. With two exceptions, one in the last week of February when spot gold in Bombay declined to Rs. 36-14-9 on improvement of sterling to 469·22 cents to the pound, and the other in the third week of April when the quotation touched Rs. 36-15-3 on increase in war risk insurance rates, the price of gold was stabilised between Rs. 37-0-0 and Rs. 37-3-0. In the first four months of the year the Reserve Bank of India purchased gold worth Rs. 8·26 crores on account of their foreign correspondents (believed to be the British Exchange Equalization Fund) and held it for them in an

ear-marked account. Arbitrageurs were also active during this period, and in addition, some purchases for near as well as forward deliveries were made by foreigners who were anxious to hoard gold but could not do so in their own country or in London owing to official restrictions. Reserve Bank purchases were much smaller during May, but arbitrageurs were particularly active, and in June, both the Reserve Bank and arbitrageurs made good purchases from the market. Throughout July and most of August there was a marked falling off in the Reserve Bank purchases and a lull in the export business. Nevertheless, the market exhibited a steady undertone on good buying orders from abroad, the gold being held in India instead of being shipped.

With a steep increase in the war risk insurance rate for New York, gold was marked down to Rs. 36-9-0 on August 24, but large scale buying by the Reserve Bank revived the market to Rs. 37-1-0. From the very next day, however, the up-swing commenced with the withdrawal of official support to sterling and the rupee price of gold, although accompanied by wide fluctuations, was gradually stepped up to Rs. 41-15-0 at the end of the year. The peak price of the year was recorded in the middle of September when bear covering pushed up the quotation to Rs. 43-8 but large arrivals from up-country depressed the market to Rs. 40-13. The Reserve Bank, however, stepped in at this stage and the quotation advanced to Rs. 41-3-0. By the first week in October, the insurance market had adjusted itself to war conditions and as insurance facilities became freely available exports revived and in the last quarter of the year gold shipments worth Rs. 11·23 crores were booked to the United States. During November and December the Reserve Bank kept out of the market because export restrictions imposed on September 3 enabled them to obtain the entire dollar proceeds of the gold shipped by arbitrageurs at the official exchange rate. The improvement in the price of gold to Rs. 42 at the close of the year was mainly the result of reduction in war risk insurance rates.

Prior to September their re-armament programme and since the outbreak of hostilities the high cost of prosecuting the war not only utilised the productive capacities of Great Britain, France and their Empires to the fullest extent, but also necessitated considerable imports from the United States. Since, however, the U.S.A. stipulated the 'cash and carry' method for supplying the necessary war material, there was a continuous transfer of gold from the purchasing countries to the vendor. The steep rise in the sterling price of gold during 1939 was but a natural consequence of this process of gold transfer which created a relative scarcity of the metal in the sterling area and a sanctuary for it in the vaults of the U.S. Treasury. The United States imported gold worth $ 3,525 million during 1939 of which Great Britain contributed gold worth $ 1,826 million.

The following table gives the changes in the gold reserves of certain Central Banks :—

Notes in Circulation and Gold Reserves.

(end of the year figures.) *(in million.)*

Central Banks of important Countries.		1935		1936		1937		1938		1939	
		Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.	Note Circulation.	Gold Reserves.
Bank of England.. ..	£	412	200	467	314	505	327	505	326	555	·2
Bank of France	Fcs.	81,151	66,296	89,342	60,358	93,837	58,933	110,935	87,265	141,322	97,267
Swiss National Bank ..	S. Fcs.	1,366	1,388	1,482	2,709	1,530	2,679	1,751	2,890	2,050	2,262
Netherlands Bank ..	Fls.	809	662	792	737	868	1,382	992	1,461	1,153	1,014
Bank of Sweden	Kr.	785	407	893	459	980	470	1,061	592	1,385	594
Bank of Denmark ..	Kr.	383	118	398	118	417	118	441	118	600	117
U. S. Federal Reserve Bank	$	3,709	7,835	4,278	9,112	4,283	9,120	4,470	11,788	4,978	15,174
Reichsbank (Germany) ..	R.M.	4,285	82	4,980	66	5,492	71	8,222	71	11,798	77
Bank of Japan	Yen.	1,766	533	1,789	578	2,155	828	2,543	548	3,366	501

Silver.—If the last days of 1938 were full of apprehension the turn of the year brought relief to silver interests both in the United States and abroad with the announcements by the U. S. President and the Treasury that the American Government's purchase price was unchanged at 64·64 cents for newly-mined domestic silver and 43 cents for foreign silver. In India, where the bear position was relatively small, the news of a *status quo* in the American policy resulted in a mild rally and the price of spot silver advanced to Rs.52-11 as against the previous quotation of Rs.51-2. In London, the spurt was greater and on the first working day of the year spot silver stood at 21-1/8*d.*—a jump of 1-1/16*d.* Thereafter the price of silver in Bombay kept almost static around Rs.52-4 but the market managed to keep alive on rumours first about a downward change and later about an upward change in the import duty on silver. With the announcement of the Budget proposals at the end of February, these rumours proved to be unfounded.

Between March and June a small group of influential operators succeeded in stabilising the price of silver between Rs.52½ and Rs.53 owing to small stocks and absence of either investment demand or speculative activity. Reports from America about numerous proposals to change the silver purchase policy had little effect on the local market and operators had acquired a frame of mind which could be influenced not by discussion but action alone. The powers under which the U. S. Treasury purchased newly-mined domestic silver at a premium over world price were to expire on June 30, and as the day approached nervousness was apparent in London where the price declined to 19*d.* the lowest since the Munich crisis of September 1938. The local price sympathetically declined to Rs.50-5-6.

The historic day of the year, however, was June the 26th when the U. S. Senate led by the 'Silver bloc,' so amended the Administration's Monetary Powers Bill as to increase the Treasury's price of domestically mined silver, forbidding the Treasury from buying foreign silver. Thenceforth, the U. S. Treasury commenced lowering its price for foreign silver to bring it in parity with London until the 10th of July when it was down to 35 cents giving a ratio of one to one hundred between the price of gold and silver. In the meantime a compromise was made on the issue of the Monetary Powers Bill and the Administration was left free to buy foreign silver at its discretion. This gave a base to the market and the price which had touched 16-1/16*d.* in London and Rs.44-7-6 in Bombay gradually recovered on bear covering. The Indian investment demand also improved sharply and on an average 260 bars a day were being railed to the interior from Bombay in the second week of July.

Towards the end of August political events in Europe dominated the world markets and silver was no exception. The Bombay price of the metal advanced from Rs.44-10 to Rs.53-4 per 100 tolas and but for the announcement of the Government of India that they would sell silver through the London market for payment in London and delivery in Bombay, would have advanced much further. It was not until the beginning of November that import restrictions were imposed on silver, though after the outbreak of war Government of India's silver was replacing imports from London and imports from America were kept out by withholding permission to remit funds outside the sterling area. Even after the import restrictions were introduced permission was freely given for imports from the sterling area but with the exception of some Australian bars very little silver was imported.

The speculative demand which sprang up in the Bombay and Calcutta markets as a result of the entry of Soviet Russia into World War II was satisfied almost exclusively by the Government of India at 23½*d.* per standard oz. which laid down silver in Bombay at a little under Rs.62, but the pace of purchases from the Government assumed such large proportions—on Friday, December 1, India sent buying orders to London for 8 to 10 million ounces—that it was found physically impossible to cope with the deliveries of the metal and the authorities were compelled to extend the delivery period from 10 days to almost a month. Simultaneously the London Brokers decided not to execute Indian orders for Government of India's silver unless they were made through the intermediary of or guaranteed by an ' approved bank.' This change was taken by the local market as an indication of the reluctance on the part of the government to sell any more silver and the price shot up to Rs.66-4 —unofficial business was reported at Rs. 70 —and after temporarily declining to Rs.59/4 stood around Rs.63. On December 14, it was announced that sales of Government of India silver, which had been the monopoly of the London market for generations, would in future be conducted by the Bombay Manager of the Reserve Bank of India, and a week later came the notification that licences to import silver from any part of the world would be granted under certain conditions. This had the desired psychological effect on the bull speculators and the quotation declined to Rs.59-15 at the end of the year, although the total amount of imports booked under the new licensing scheme was negligible compared to the silver sold by the Government of India.

This Review has in the past expressed the view that the investment demand for silver in India is primarily dependent on the price of the metal in relation to other commodities, and the manner in which the offtake figures jumped up from an average of 40 bars a day in early June to 260 bars a day in the second week of July substantiates this opinion. The aggressive buying of Government of India's silver in the last quarter was primarily speculative as is evident from the large accumulation of stocks and the wide premium on forward deliveries. At one time silver contango was on the basis of 20 per cent. per annum interest. There is, however, no escape from the fact that India prefers bullion to any other commodity as a store of value. If, therefore, as a result of the war and the consequential demand for India's produce at rising prices the agriculturist in the course of time has surplus funds in his hands, he is more likely to invest it in silver than hold it in any other form.

The rise in the price of silver at the end of the year was originated by speculative activity in anticipation of this demand but proved to be abortive partly because of governmental action, but primarily because speculators overlooked the fact that the rise in commodity values was also speculative and had not yet affected the agriculturist's income. Investment demand for silver can only come when the agriculturist's income leaves him a surplus after meeting his current liabilities and re-paying at least a part of his accumulated debt. Nevertheless, when it does appear, since the silver rupee constitutes the currency of the country it may well create problems for the monetary authorities as it did towards the end of World War I.

Although India is not capable of absorbing the annual total world production of silver it can take in much more than the sterling area produces, and exchange difficulties may not permit unrestricted imports from the Continent of America which is responsible for 75 per cent. of the world's

annual production. The Government of India, however, are reputed to hold sufficiently large stocks of the metal to satisfy normal Indian demand for some time to come, so the danger of silver scarcity in India looks remote at the moment.

Shares.—The gradual deterioration of the European political situation coupled with the depression in general trade which prevailed during the first eight months of the year affected adversely the local stock market and there was an all-round decline in rates. Even the continuous demand for steel in Europe for armament programme provided little impetus to the market and other major industries except jute, which was showing signs of feeble recovery, remained in a depressed state during this period. The outbreak of war in September, however, changed the industrial outlook with the resultant rise in prices of all stocks. There was a growing feeling that Indian industries would benefit materially owing to war, since not only would foreign competition be less aggressive, but there would be good scope to increase the exports of Indian manufactures abroad. The last four months, therefore, witnessed a period of hectic activity on all the stock markets in India and prices in most cases beat all previous records of recent years. The rise in commodity markets provided an additional bull factor for shares and stocks.

The year opened with a quiet tone on the stock market and barring intermittent reactions, prices declined in all sections right upto the middle of April. Steel shares, which form the barometer of the local stock market, were marked down from the opening level of Rs.1,525 for Deferreds and Rs.318 for Ordinaries to Rs.1,135 and Rs.248-8 respectively on 27th April. Cotton mill shares were easier partly in sympathy with the general trend of the market and partly due to the concessions obtained by the Lancashire cotton industry through the Indo-British Trade Agreement concluded in March. Bombay Dyeings declined from the opening level of Rs.871-4 to Rs.730 on 27th April, Kohinoors from Rs.257-8 to Rs.198 and Centuries from Rs.237-8 to Rs.193.

The European political situation showed signs of improvement at this juncture and there was a healthy reaction on the market. Tata Deferreds advanced to Rs.1,440 and Ordinaries to Rs.299 in the first week of June. There was a corresponding rise in cotton mills, Bombay Dyeings improving to Rs.785, Kohinoors to Rs.233 and Centuries to Rs.221. Rates in fact recovered all-round; among Hydro-electrics, Tata Powers gained considerably to Rs.1,320, Andhra Valleys to Rs.1,470 and Tata Hydros to Rs.153-8.

The lull in the political situation proved temporary and prices gave way once again from mid-June; Deferreds declined to Rs.1,320 and Ordinaries to Rs.275 by the end of the month. Throughout July, the market moved within a narrow range owing to uncertain European situation. In the last week of July, the U. S. Treasury announced the grant of an export subsidy of 1½ cents per lb. of cotton and 1 to 2·10 cents per lb. of cotton manufactures. As a consequence, cotton mill shares were weak, Bombay Dyeings once again declining to Rs.705, Kohinoors to Rs.208 and Centuries to Rs.192.

In the first half of August, the market was comparatively inactive and price changes were small. Towards the end of the month, a European war looked imminent and the market now took

the view that India's industries would benefit owing to war and there were good many buying orders placed on the market. The prices of all stocks moved up under the leadership of steels. On the outbreak of actual hostilities in the beginning of September, the market assumed a buoyant tone and prices advanced sharply with occasional set-backs on profit-taking. Tata Deferreds touched Rs.1,875 and Ordinaries Rs.366 within 12 days of the outbreak of war. Bombay Dyeings touched Rs.1,020— a gain of 270 points— while Centuries moved up 100 points to Rs.310 and Kohinoors touched Rs.340. There was a corresponding rise in all shares, except public utilities and other fixed interest bearing shares which declined in sympathy with the gilt-edged.

The market was comparatively dull till the middle of November; when another bout of activity set in following a steep rise in all commodity markets. Deferreds reached Rs.2,280 and Ordinaries Rs.423 in the beginning of December. There was, however, small profit-taking in evidence before the market closed on the 23rd of December for Christmas holidays. Tata Deferreds finished at Rs.2,212-8 and Ordinaries at Rs.415-8. The undertone of the market, however, was fully firm at the end.

MONEY.

Funds in keen demand at the opening.

The keen demand for money in evidence at the end of 1938 continued after the turn of the year and day-to-day funds were placeable at 2¾ per cent. per annum in the opening week of January. Statements of the Imperial Bank of India disclosed continued large drawings against Cash Credits, which was indicative of the seasonal influence on the money market. During January, advances by the Imperial Bank of India in the form of Cash Credits increased from Rs.21·57 crores on January 6 to Rs.23·09 crores on January 27, making a net increase of Rs.1·52 crores during the month. Authorities continued to pump money into the market since withdrawals by the sale of Treasury Bills amounted to almost Rs.1 crore as against maturities amounting to Rs.2 crores a week. In addition to this, the Reserve Bank of India made large purchases of gold and sterling against which they paid to the market almost Rs.8·70 crores during the month. The effect of this influx was seen in the last week of the month, when day-to-day funds were available at 1½ per cent. per annum, but this easiness was short-lived owing to the comparatively high return on three months' Treasury Bills, which fetched Rs.2-9-9 on 24th January. The end of the month saw call funds in demand at 2½ per cent. Term money rates were quoted between 2¼ and 2½ per cent. for three and six months throughout the month.

Large Treasury Bills maturities cause temporary easiness.

The first two weeks of February saw no appreciable change in the monetary situation, day-to-day funds being in demand around 2½ per cent. The influx of funds due to the excess of maturities over renewals of Treasury Bills and the proceeds of sale of gold and sterling to the Reserve Bank of India were offset by continued withdrawals for trade purposes. This was amply reflected in the consolidated statement of the position of scheduled banks which showed an increase of Rs.2·13 crores in the item of Advances in India and Burma and of Rs.1·42 crores in the item of Bills discounted in India and Burma during the course of the month. At the end of the month, the market was decidedly more comfortable owing to large maturities of Treasury Bills and influx of funds due to the proceeds of heavy purchases of gold by the Reserve Bank of India. This easier trend of the money market was reflected in the large-scale applications for intermediate Treasury Bills and during the week ended 20th February, intermediates to the extent of Rs.348·75 lacs were sold at an average rate of Rs.2-9-3 per cent. Term money rates were also easier in sympathy with lower short-term rates, three months' money being quoted at 2 per cent. and six months' at 1½ per cent. The lower rate for six months' money was due to the fact that it carried the borrower into the off-season.

Trade demand continues.

Market position more comfortable.

Term money rates also ease.

Demand for funds revives.

The turn of the month saw improved demand for money and during the first few days of March, day-to-day funds were in demand at 2¼ per cent. per annum as against 1¼ per cent. at the end of February. The demand from trade continued to be fair and the scheduled banks' position showed an increase of Rs.3·64 crores

in Advances and of Rs.1·70 crores in the item of 'Bills Discounted'. Bankers' Balances with the Reserve Bank of India also declined during the month from Rs.13·52 crores to Rs.10·84 crores. Authorities continued to pump money into the market throughout March by purchases of sterling and gold. Although gold purchases during March were comparatively smaller than during the previous month, the net inflow of funds into the market by way of proceeds of sale of sterling and gold to the Reserve Bank of India amounted to Rs.8·22 crores during March as against Rs.10·08 crores during February. In addition the market received Rs.41·75 lacs as excess of maturities over renewals of Treasury Bills.

Market well supplied with funds.

Call rate eases.

As a result of increased supply of funds in the market, money rates were easier during the second half of the month, day-to-day loans being quoted at $1\frac{3}{4}$ per cent. In the last week of March, the market witnessed a scarcity of money owing to large withdrawal of funds by public bodies in order to close their fiscal year-end accounts. Term money rates were almost unchanged during the month, three months' deposits being quoted at 2 per cent. and six months' at $1\frac{3}{4}$ per cent.

Slight improvement in money rates.

Steadier monetary conditions continued throughout the opening week of April, day-to-day funds being in demand at between $2\frac{1}{4}$ and $2\frac{1}{2}$ per cent. per annum. Sale of sterling and gold to the Reserve Bank of India realised almost Rs.2 crores during the second and third week of the month with the result that call funds were quoted at $1\frac{3}{4}$ per cent. by the end of April. The reflux of funds from the interior, as seen from the position of scheduled banks, was also responsible for the easier monetary conditions. The total of advances and Bills discounted by scheduled banks decreased from Rs.130·18 crores to Rs.127·58 crores during the month. Bankers' balances with the Reserve Bank of India increased from Rs.10·27 crores to Rs.12·80 crores in the third week and stood at Rs.11·76 crores at the end of April. Term money rates were unchanged throughout the month, three months' money being quoted at 2 per cent. and six months' at $1\frac{3}{4}$ per cent.

Off-season slackness in demand for funds appears.

The approach of the off-season was felt by the money market throughout May. Short-term money rates were gradually marked down from 2 per cent. at the opening to $\frac{3}{4}$ per cent. at the end of the month. Continued return of funds from the interior was reflected in the position of scheduled banks whose advances decreased during the month from Rs.119·68 crores to Rs.115·55 crores and the item of 'Bills discounted' decreased from Rs.7·88 crores to Rs.7·41 crores during the same period. Bankers' balances with the Reserve Bank also mounted up from Rs.11·22 crores to Rs.15·58 crores. The net influx of funds due to excess of maturities over renewals of Treasury Bills was large during the month and amounted to Rs.4·57 crores, and in addition to this, about half a crore of rupees was received by way of proceeds of gold sold to the Reserve Bank. Term money rates stood

Bankers' Balances with Reserve Bank increase.

at 2 per cent. for three months and 1¾ per cent. for six months in the early part of the month, but towards the end, 3 and 6 months' money was quoted at a flat rate of 1½ per cent.

Call money rate remains low.

The full effect of the off-season was felt during June when day-to-day funds were offered at ¾ per cent. per annum throughout the month with the exception of the second week when the rate temporarily touched 1 per cent. Government withdrew from the market Rs.1·79 crores by way of excess of borrowings against maturities of Treasury Bills, but against this must be set off an influx of Rs.1·63 crores by way of proceeds of gold sold to the Reserve Bank. The position of scheduled banks revealed a decline of Rs.1·36 crores in the item of bills discounted and Rs.3·79 crores in the total of advances during the month. Bankers' balances with the Reserve Bank also increased during the month from Rs.13·44 crores to Rs.16·14 crores.

Further advance in Bankers' Balances with Reserve Bank.

Note circulation increases temporarily.

The currency position during the first half of the year as revealed by the statements of the Issue Department of the Reserve Bank of India recorded an increase in the active note circulation from Rs.181·36 crores at the opening of the year to Rs.183·96 crores in mid-February. Thereafter, the note circulation figure showed a tendency towards increase during the first half of the month and was inclined to decrease during the second half, but after March, there was a definite decrease in the note circulation which touched the lowest figure for the half year in the fourth week of June, when it declined to Rs.174·48 crores. The total of notes issued steadily increased from Rs.203·39 crores at the beginning of the year to Rs.210·78 crores in the last week of June. The rupee coin in circulation also increased during second half of April and in early May with the result that the Reserve Bank's holding of rupee coin, which had touched Rs.71·02 crores in the last week of March declined to Rs.65·41 crores in the middle of May, but was restored to Rs.69·51 crores at the end of June.

Note circulation at its lowest.

Easy money conditions prevail.

Easy money conditions prevailed throughout July with practically no change in the call money rate which hovered around ½ per cent. per annum. Demand from trade was poor as was reflected in the statements of scheduled banks' positions. Scheduled banks' advances decreased during the month from Rs.111·24 crores to Rs.104·81 crores and the item of bills discounted decreased from Rs.5·65 crores to Rs.4·66 crores. Bankers' balances with the Reserve Bank piled up during the course of the month from Rs.16·14 crores to Rs.26·02 crores. Influx of funds due to sale of gold to the Reserve Bank was small and amounted to Rs. 27 lacs, but the net efflux of funds was large owing to heavy withdrawals against sale of Treasury Bills and amounted to Rs.6½ crores during the month. Three and six months' money was in demand at a flat rate of 1¼ per cent. throughout July.

Money rates unchanged.

Despite gathering war clouds in Europe and precautionary withdrawal of funds by ultra-cautious lenders, short-term money market continued to

be well supplied, and call loans fetched no better than ¾ per cent. Government continued to withdraw funds from the market through the medium of Treasury Bills. The excess of withdrawals over maturities of Treasury Bills during August amounted to Rs.3·80 crores. The market, however, received Rs. 7·72 crores by way of sale of sterling and gold to the Reserve Bank of India. The statements of scheduled banks' position continued to show a decrease in advances and in bills discounted, the latter item declining from Rs.4·35 crores to Rs.3·72 crores during the course of the month. Bankers' balances with the Reserve Bank piled up during August from Rs.23·44 crores to Rs.26·61 crores at the close of the month. Term money rates were quoted at 1 per cent. for three and six months until the last week of the month, but an increase in the Bank of England's discount rate from 2 to 4 per cent. on the 24th resulted in a fractional increase in the local term money rates which hardened to 1½ per cent. for three months and 2 per cent. for six months.

Bankers' Balances pile up.

War declared.

September was destined to be the most historic month of the year with the outbreak of hostilities between Poland and Germany followed by the declaration of war by France and Great Britain on Germany. Despite the announcement that India was at war with Germany along with the rest of the British Empire the short-term money market was comparatively undisturbed and day-to-day funds continued to be quoted at about 1 per cent. Unusually large current account withdrawals from the banks, however, resulted in a sharp decline in bankers' balances with the Reserve Bank of India, which dropped from Rs.25·28 crores to Rs.15·02 crores during the course of the month. The market partly met the extra-ordinary demand for funds by rediscounting Government of India Treasury Bills with the Reserve Bank and in the weekly statements of the Reserve Bank, the item of Government of India Treasury Bills discounted increased from Rs.42 lacs on August 25 to Rs.116 lacs in the first week of September. The market also received large sums of money by way of proceeds of sale of sterling and gold to the Reserve Bank, aggregating Rs.9·18 crores. The excess of renewals over maturities of Treasury Bills was smaller during September and totalled only Rs.1·81 crores. There was, however, a sharp increase in the note circulation, which increased from Rs.172·37 crores in the first week of September to Rs.192·80 crores at the end of the month. There was a corresponding increase in the total note issue, which amounted to Rs.221·43 crores at the end of September as against Rs.217·18 crores at the beginning of the month. The Reserve Bank's holding of Rupee Coin, however, was practically unchanged and was maintained around Rs.75 crores during the month. The term money market was disorganised with the outbreak of war and rates were almost nominal in the first week of the month owing to absence of lenders. In the second week, three months' money was placeable at 2 per cent. and six months at 2½ per cent. with more borrowers than lenders. But as the month advanced, quieter conditions prevailed in the term money market, three months' money being quoted between 2 and 2¼ per cent. and six months' between 2¼ and 2½ per cent.

Large withdrawals of current account funds.

Note circulation advances.

Lenders of term money held back.

Short-term funds continue abundant.

The first half of October saw practically no change in the short-term money market, day-to-day loans being available at around ¾ per cent. Trade demand also showed no signs of revival and scheduled banks' statements recorded a steady decline in the item of bills discounted from Rs.2·60 crores to Rs.2·26 crores during the course of the month. The item of advances also declined from Rs.107·94 crores at the opening to Rs.197·57 crores at the end of the month. Later, the short-term money rate fractionally improved to 1 per cent., but the increase was due to the psychological influence of the approaching export season rather than the result of any actual increase in the demand for funds. Government were able to withdraw from the market Rs.3·83 crores during the month by way of excess of renewals over maturities of Treasury Bills. Against this, however, the market received Rs.13·88 crores by way of sale of sterling and gold to the Reserve Bank. Term money rates were practically unchanged, 3 and 6 months' money being quoted at 2¼ and 2½ per cent. respectively. Note circulation continued to increase during October and the total of notes in circulation in India mounted up from Rs.197·93 crores on the 6th of October to Rs.204·90 crores at the end of the month. The total note issue also increased during the same period from Rs.225·52 crores to Rs.228·80 crores. Simultaneously, there was a steady withdrawal of rupee coin and the Reserve Bank's holding of rupee coin declined from Rs. 74·23 crores at the beginning of the month to Rs.71·97 crores at the close.

Notes in circulation increase further.

Currency inflation continues.

This inflation of currency continued throughout November and by the 1st of December, the active note circulation had increased by about Rs.7 crores to Rs.211·67 crores. The total note issue was also up by Rs.5 crores to Rs.233·28 crores. In addition to this, the Reserve Bank of India's holding of Rupee Coin declined by Rs.3 crores to Rs.69·03 crores. There was a fractional improvement in demand for money for trade purposes and the scheduled banks' statements recorded an increase in the item of Bills discounted from Rs.2·21 crores on 3rd November to Rs.3·21 crores at the end of the month. There was a corresponding increase in the item of advances, which increased from Rs.109·45 crores to Rs.120·15 crores. Proceeds of large sales of sterling to the Reserve Bank of India, however, helped the scheduled banks to increase their balances with the Reserve Bank. This item, which stood at Rs.17·38 crores at the beginning of November, was up to Rs.19·84 crores at the close of the third week of month, but dropped to Rs.18·00 crores at the end of the month. Excess of maturities over renewals of Treasury Bills resulted in a net influx of funds to the extent of Rs.94·50 lacs during the month, and although gold purchases by the Reserve Bank of India were negligible, they acquired sterling funds to the extent of 8½ million pounds.

Slight improvement in trade demands.

Scheduled Banks' Balances increase.

Market well supplied with funds.

Owing to the influx of money both from sales of sterling and maturities of Treasury Bills, the short-term money market was well supplied with funds throughout the month and call money was quoted at around ¾ per cent. during November. Towards the end of the month, however, a steadier feeling was

Term money rates harden.

perceptible. Term money rates were inclined to harden, three months' money being quoted at 2 per cent. and six months' at 2¼ per cent.

Call money rate hardens.

The steadier feeling witnessed at the end of November gradually became more and more apparent as December advanced and the rate for day-to-day funds rose from ¾ to 2 per cent. in the second week of the month. It was not until the last week of the year that call funds were in demand at as high as 3 per cent. per annum. Loans for repayment before the end of the year were, however, available at 2 per cent. It was, therefore, obvious that the increase in demand for short-term money was largely for 'window-dressing' purposes. Term money rates hardened fractionally during the course of the month, and three months' money, which was quoted at 2 per cent. in the first week of December, stood at 2½ per cent. at the end of the year. Similarly, six months' money, which stood at 2¼ per cent. at the beginning of the month, was quoting 2¾ per cent. in the last week of December.

Large demand for "Window-dressing."

In spite of the fact that the short-term money market did not reflect any increase in demand from trade, the statements of the scheduled banks' position revealed an increase of Rs.18 crores in the item of advances and of Rs.1·14 crores in the item of bills discounted between the first week of December and the 29th of the month. Bankers' balances with the Reserve Bank, which stood at Rs.18 crores at the beginning of the month, declined to Rs.13·48 crores on 22nd December and stood at Rs.17·02 crores at the end of the year. This easiness in the money market in spite of trade demand was partly attributable to large maturities of Treasury Bills, which resulted in a net influx into the market of Rs.4·96 crores, and also to large sales of sterling to the Reserve Bank of India, which amounted to approximately 10 million pounds during December. An additional factor was the currency inflation. The total of notes in circulation in India increased further during the course of December from Rs.211·67 crores to Rs.224·50 crores and the total of notes issued recorded an increase of Rs.21 crores from Rs.233·28 crores to Rs. 254·48 crores on the 29th of the month. Rupee Coin in circulation also increased, with the result that the Reserve Bank's holding of Rupee Coin declined from Rs.69·03 crores to Rs.64·22 crores at the close of the year.

Further increase in Note Circulation.

Note issue increased substantially.

Taking the year as a whole, the total note issue increased from Rs.203·39 crores on 6th January to Rs.254·48 crores on the 29th of December. Simultaneously, Rupee Coin in circulation increased by Rs.5·59 crores, making a total increase in the available supply of currency of Rs.56 crores during the course of the year. In addition to this, after the declaration of war on Germany on 3rd September, we must take into account the fact that the Government were making large purchases of certain commodities, such as jute and tea, on behalf of the British Government. According to market reports, the Government of India were paying for these purchases in rupees and receiving payment for them from the British Government in sterling.

GOVERNMENT BORROWINGS.

Government Deposits mount up.

In the opening week of January, Government had taken advances against "Ways and Means" to the extent of Rs.5·91 crores and the total of Government Deposits with the Bank, which included Deposits of Government of India, Burma and other Government Accounts, stood at Rs.11·89 crores. During the rest of the month, there was practically no change in the item of Government Borrowings from the Bank, but Government Deposits steadily piled up to Rs.14·98 crores. Throughout this month, Government had been borrowing Rs.1 crore a week by way of Treasury Bills and the average rate of discount varied between Rs.2-10-0 and Rs.2-9-2 per cent. Owing to the fact that the amount of Treasury Bills offered by tender was small, Government also sold intermediates, but there was comparatively little demand for intermediate bills owing to stringent conditions in the short-term money market. During the course of the month, Government borrowed Rs.7·29 crores through the sale of Treasury Bills, of which Rs.3·29 crores represented intermediates. Maturities during the same month amounted to Rs.9·50 crores.

Sales of Treasury Bills continue.

Government repays the Bank against "Ways and Means" advances.

During February, Government gradually reduced their borrowings from the Reserve Bank of India against "Ways and Means" and the amount under this head, which stood at Rs.5·78 crores on the 17th of the month, was reduced to Rs.1·71 crores on the 24th of February. Government Deposits also increased during the month from Rs.13·18 crores to Rs.13·68 crores on the 24th of the month. The amount of Treasury Bills offered for sale by tender was maintained unchanged at Rs.1 crore a week throughout February, but owing to easier conditions in the money market, much larger applications were made for intermediates during the second half of the month with the result that Government borrowed Rs.11·28 crores during the course of the month through the sale of Treasury Bills. Maturities during the month amounted to Rs.12·44 crores.

Large applications for Treasury Bills.

Government Balances with the Bank pile up.

During March, Government Deposits steadily piled up from Rs.13·76 crores on the 3rd of the month to Rs.19·68 crores at the end of the month. Simultaneously, Government borrowings from the Reserve Bank declined from Rs.3·55 crores at the opening to nothing at the close. Government, however, increased the amount of Treasury Bills on offer by tender from Rs.1 crore to Rs.1½ crores in the third week of March and simultaneously suspended the sale of intermediate bills with the result that their borrowings through the sale of Treasury Bills amounted to Rs.8·21 crores during the month, of which only Rs.2·21 crores represented intermediates. Maturities were still in excess of renewals and amounted to Rs.8·63 crores. The average rate of discount of three months' Treasury Bills steadily declined during March from Rs.2-9-4 to Rs.2-5-3 per cent.

Treasury Bill maturities exceed renewals.

Treasury Bill tender amount reduced.

The amount of Treasury Bills on offer by tender was again reduced from Rs.1½ crores to Rs.1 crore in the second week of April and the sale of intermediates was revived. Applications for intermediates were not particularly large, with the result that out of a total of Rs.6·58 crores worth of Treasury Bills sold during April, intermediates represented only Rs.2·08 crores. Maturities during this month amounted to Rs.7·29 crores and the average rate of discount kept remarkably steady around Rs.2-5-0 per cent., the highest and lowest rates of the month being Rs.2-5-11 and Rs.2-5-0 per cent. Government had very little recourse to borrowing from the Reserve Bank against "Ways and Means" throughout April and May and the total under this head varied between Rs.30 lacs and Rs.84 lacs. Government Deposits, however, were continually marked down and whereas they stood at Rs.19·68 crores at the end of March, the figure declined to Rs.16·69 crores at the end of April and to Rs.11·32 crores at the end of May. The amount of Treasury Bill tenders was increased from Rs.1 crore to Rs.1½ crores in the second week of May and to Rs.2 crores in the following week. Although the sale of intermediates was suspended from the beginning of May, from the middle of May until the end of June Government were able to borrow Rs.2 crores a week from the market by the sale of Treasury Bills and moreover the rate of discount was also marked down from Rs.2-4-0 in early May to Rs.1-10-11 per cent. at the end of the month. The total of borrowings through sale of Treasury Bills amounted to Rs.6·71 crores during May, of which intermediates represented only Rs.21·50 lacs. Maturities during the month were large and aggregated Rs.11·28 crores. During June, Government borrowed Rs.10 crores through the sale of Treasury Bills. Maturities during the month fell short of renewals by Rs.1·79 crores.

Government Deposits decline.

Weekly tender amount raised.

Tender amount lowered.

Sale of Intermediate Bills resumed.

Advances to Government against "Ways and Means" increase.

In the opening week of July, the amount of Treasury Bill tenders was reduced from Rs.2 crores to Rs.1½ crores, at which figure it was maintained throughout the rest of the month and until the middle of August. The sale of intermediates was revived simultaneously with the reduction in the amount on offer through tenders and heavy sales of intermediate bills were effected between the middle of July and the middle of August. The rate of discount narrowed fractionally from Rs.0-14-8 to Rs.0-14-1 per cent. between 7th and 28th of July, but thereafter steadily widened to Rs.1-0-6 on the 25th of August. Government had greater recourse to "Ways and Means" borrowings from the Reserve Bank during July than in the previous month. The outstanding under this head increased from Rs.1·05 crores on the 7th of the month to Rs.3·85 crores on the 21st of July, but was reduced to Rs.67 lacs on the 4th of August, and after increasing temporarily to Rs.1·16 crores in the second week of the month, was maintained around Rs.63 lacs until the end of the month. Government Deposits with the Reserve Bank increased from Rs.10·30 crores in early July to Rs.15·13 crores on the 25th of August. During July, Government borrowed Rs.13·08 crores through sale of Treasury Bills, of which intermediates

Government Balances with the Bank mount up again.

represented Rs.7·08 crores, whereas during August, borrowings under this head totalled Rs.10·58 crores, of which intermediates accounted for Rs.4·08 crores. Maturities both during July and August fell short of renewals by Rs.6·50 crores and Rs.3·80 crores respectively. In addition to this, during the first week of July, Government of India came out with a long-term borrowing programme for Rs.15 crores, full details of which are given elsewhere in this Review.

Loan issued.

Short term market dislocated; rates advance.

In the opening week of September, with the outbreak of hostilities in Europe, the short-term money market was temporarily dislocated and the repercussions of this were also registered on the Government's short-term borrowing programme. Whereas Government had invited tenders for the sale of Treasury Bills to the extent of Rs.2 crores, the total amount tendered aggregated only Rs.1·67 crores, of which an amount of Rs.1·50 crores was accepted. The average rate of discount was also marked up sharply from Rs.1-6 in the last week of August to Rs.2-12-9 per cent. on the 1st of September. The money market, however, soon readjusted itself to war conditions during the course of the next week and Government also reduced the amount of Treasury Bills on offer for sale through tenders to Rs.1½ crores, at which figure it was maintained right through September, October and November and until the first week of December. Simultaneously Government announced the renewal of sale of intermediates. The average rate of discount remained stationary around Rs.2-12 per cent. throughout September and until the third week of October, but thereafter declined by stages to Rs.1-15-4 per cent. in the last week of November. Total amount borrowed through the sale of Treasury Bills during September amounted to Rs.11·81 crores, of which intermediates represented Rs.4·31 crores. In October, the total amount borrowed was Rs.16·91 crores, of which intermediates accounted for Rs.10·91 crores. Maturities during September were short of renewals by Rs.1·81 crores and during October by Rs.3·82 crores.

Treasury Bill discount rate declines gradually.

Large sales of intermediate Bills.

After the first week of November, sale of intermediates petered out to Rs.36·75 lacs between the 16th and 21st of the month as against Rs.4·26 crores in the third week of October, with the result that the total amount borrowed by Government through sale of Treasury Bills did not exceed Rs.9·63 crores during the whole of November, of which intermediates represented Rs.3·63 crores. Maturities during this month were in excess of renewals by Rs.92·50 lacs.

Treasury Bill sales decline.

In the second week of December, Government reduced the amount of Treasury Bill tenders to Rs.1 crore although the sale of intermediate bills was continued until the close of the year. Unlike in 1938, during the year under review, Government suspended the sale of Treasury Bills by tender during the closing week of the year probably with a view to help the market. The average rate of discount in December varied between Rs.2-0-0 and Rs.1-15-9 per cent. Total Government

Amount of weekly tenders reduced.

borrowings through the sale of Treasury Bills during December amounted to Rs.6·85 crores, of which intermediates accounted for Rs. 2·35 crores. Maturities were in excess of renewals by Rs. 4·96 crores.

Government keep off from "Ways and Means" advances.

During September, Government had comparatively little recourse to "Ways and Means" borrowings from the Reserve Bank and the total under this head advanced from Rs.31 lacs on the 1st of September to Rs.1·70 crores on the 15th of the month, but declined to Rs.8 lacs at the end of the month. Simultaneously, Government Balances with the Bank declined from Rs.14·89 crores on the 1st of September to Rs.10·15 crores on the 15th of the month, but stood at Rs.14·18 crores at the end of the month. Government had greater recourse to borrowings from the Reserve Bank during October and November and their borrowings from the Bank increased from Rs.1·95 crores on the 6th of October to Rs.4·39 crores on the 17th of November except for a temporary reduction to Rs.34 lacs on the 3rd of November. Government Balances with the Bank also varied within a comparatively wide range during October and November and after being Rs.12·08 crores on the 6th of October, stood at Rs.13·58 crores on the 3rd of November. They declined to Rs.10·67 crores on the 10th of November and stood at Rs.13·97 crores on the 1st of December. After the first week of December, Government had very little recourse to borrowing from the Reserve Bank and the item of "Ways and Means" advances declined from Rs.3·62 crores at the beginning of December to Rs.28 lacs on the 22nd of the month, but advanced to Rs.1·20 crores towards the end of the year. Government Balances with the Bank also piled up during the course of the month from Rs.13·97 crores to Rs.15·43 crores, but stood at Rs.12·97 crores at the fag end of the year.

Borrowings Increase.

"Ways and Means" advances decline.

GILT-EDGED.

Political Uncertainties cause hesitancy in gilt-edged.

The international political situation suffered two rude shocks in the early part of the year, upsetting the equilibrium of the gilt-edged market which, however, regained its poise immediately after the occurrence of the two respective incidents since the counteracting factor of cheap money was fully operative throughout. In September, however, the outbreak of war, the threat of which had been overhanging Europe for almost two years, caused a sharp fall in quotations and for a time, business was almost at a standstill. It was, however, shortly made clear that despite the war, the policy of cheap money would be adhered to both in Great Britain and India, and prices showed a tendency to recover and the market closed on a steady note at the end of the year with buyers all-round.

Little change at the opening.

There was little change in quotations from the opening till the last week of January when European politics exerted their adverse influence and prices declined in the local market following a drop in British Government loans and Indian Sterling Stocks. The success of the Nationalist Party in Spain was expected to raise serious

European problems and Herr Hitler, the German Chancellor, was to make an important speech to the country. 3½ per cent. India Sterling Stock declined gradually from £89½ to £88 and 3½ per cent. Rupee Paper fell from Rs. 98-3 to Rs.96-3 (27th). Dated loans were also more freely offered at rates fractionally lower than the opening levels.

Slight easiness in market

Gilt-edged improve.

However, following Herr Hitler's speech, which was regarded as conciliatory and the truer realisation of the Spanish situation which was considered to be not very grave, the gilt-edged improved immediately and prices recovered to almost the opening levels by the beginning of February. European politics, however, still lacked confidence and investors were content to remain on the sidelines watching the trend of events. Prices accordingly declined once again towards the third week, 3½ per cent. Rupee Paper touching Rs. 95-12 (16th) and 3½ per cent. 1947-50 loan Rs.104-8. 4 per cent. 1960-70 loan which was quoted at Rs.111-4 at the beginning of the month was available at Rs.110-8, while 4½ per cent. 1955-60 and 5 per cent. 1945-55 (Tax Free) loans lost about one rupee each in the interim period.

European situation improves.

Situation deteriorates; sharp fall in prices occur.

There were signs of general improvement in the European political situation in early March and prices recovered slightly all-round. This lull in the political situation, however, proved temporary as in the middle of the month came the news of military occupation of Czecho-Slovakia by Germany. There was a sharp decline in rates, 3½ per cent. Rupee Paper falling from Rs.97-4 to Rs.93-9 (31st), while 3½ per cent. India Sterling Stock dropped to £81. Dated bonds all declined, 3½ per cent. 1947-50 loan quoting at Rs. 103-13, 4 per cent. 1960-70 loan at Rs.109-9 and 4½ per cent. 1955-60 loan at Rs.115-4 as compared with Rs.118 at the beginning of the year.

Small Fluctuations.

During April, the trend of gilt-edged prices was unsettled owing to uncertain political situation, but the undertone was quiet. Except for 3½ per cent. Rupee Paper, which remained steady around Rs.92-8 owing to heavy short interest in the local market, there was almost complete absence of buying inquiry in other scrips. 3½ per cent. India Sterling Stock declined further during this period to £78½, while 3½ per cent. 1947-50 loan was quoted at Rs. 101-6. 4 per cent. 1960-70 loan changed hands at Rs.108-9, 4½ per cent. 1955-60 loan declined further to Rs.113-12, while 5 per cent. 1944-55 (Tax Free) loan was quoted at Rs.112-4 as compared with Rs.113-14 at the beginning of the month.

Backwardation in 3½ per cent. Paper widens.

There was so much shortage of 3½ per cent. Rupee Paper at this juncture that the backwardation between spot and 5th May settlement delivery widened to eight annas which was responsible for covering by the bears and the comparative steadiness of this scrip.

Market improves.

The shock the European politics suffered on the military occupation of Czecho-Slovakia by Germany was gradually wearing out its effect on gilt-edged, which under the continued influence of cheap money recovered gradually and by mid-May the prices advanced to almost the early March levels. 3½ per cent. India Sterling Stock was once again quoted at £87 (30th) and 3½ per cent. Rupee Paper at Rs.97-5 (31st). Dated bonds also recorded proportionate gains, 3½ per cent. 1947-50 loan advancing to Rs.104, 4 per cent. 1960-70 loan to Rs.111-2 and 5 per cent. 1945-55 (Tax Free) loan to Rs.114-4.

Provincial Loans issued.

There was comparative calm in Europe till the middle of June and gilt-edged prices were fully maintained. Taking advantage of the situation, two Provincial Governments, the Central Provinces and Berar and Madras, issued notifications on 17th June for the raising of loans. The Madras Government offered for public subscription Rs.1½ crores maturing in 1959 and the Central Provinces Rs.75 lacs maturing in 1949, both bearing 3 per cent. interest, the issue price being Rs.98-8 in both cases.

The Central Provinces loan was oversubscribed within 10 minutes of the opening of the list. Total amount offered aggregated Rs.1·12 crores and an allotment of 65 per cent. was made. The Madras loan, however, wielded a thin support and had to be kept open almost the whole day. The loan was fully subscribed, but the underwriters had to take a portion of the loan.

The reluctance on the part of the investors to take up the Madras Government loan was due to its comparatively long maturity with no relative advantage in the issue price. The political situation was such that a long term loan was hardly likely to commend itself to the investor, specially when a comparatively short-dated security was available on identical terms.

The Madras loan was raised for the purpose of financing wholly productive schemes such as Electrical, Irrigation works and Advances to Local Bodies, agriculturists, etc. The proceeds of the Central Provinces loan were to be used for financing capital expenditure as well as advances to local bodies, cultivators, etc.

Trouble in Europe starts again.

At this stage, reports of internal trouble in Danzig became current and the tension in the Far East also took a serious turn. This naturally affected the gilt-edged and there was a fractional decline in rates. By the end of June, prices dropped further, 3½ per cent. India Sterling loan quoting £83¼ (30th), 3½ per cent. Rupee Paper dropped to Rs.95-5 (30th), 4 per cent. 1960-70 loan to Rs.109-12 and 3½ per cent. 1947-50 loan to Rs.103-6.

Throughout July, the market remained in a state of suspense pending clarification of the European political situation but prices were stable. The Government of

India Finance Department issued a "communique" on 1st July, announcing the flotation of a new Rupee Loan.

New Rupee Loan issued.

Subscriptions were invited on 5th July for the second issue of 3 per cent. 1963-65 loan at Rs.98 per cent. The total amount offered for public subscription in the form of cash or conversion of 5 per cent. 1939-44 loan was Rs.15 crores. In addition, offers for the conversion of 5 per cent. 1940-43 bonds into the new loan were invited for unlimited amount. 5 per cent. 1939-44 loan was offered conversion rights at Rs.100-6 for Rs.100 nominal and 5 per cent. 1940-43 loan at Rs.104 for Rs.100 nominal.

The result of the loan was disappointing and it was evident that public were not keen on investing in such long-term issues. Against Rs.15 crores which were offered for public subscription in cash or 5 per cent. 1939-44 loan, Government received Rs.1·35 crores in cash and Rs.8·13 crores by conversion of 5 per cent. 1939-44 bonds. Applications for the conversion of 5 per cent. 1940-43 loan amounted to Rs. 6·12 crores, making the total of all subscriptions to Rs.15·60 crores.

Temporary spurt in Gilt-edged.

There was a temporary spurt in the first week of August, particularly in 3½ per cent. Rupee Paper following large scale covering by bears, and the price touched the high level of Rs.97-14. Other scrips showed only a fractional improvement, largely sympathetic, since European politics still loomed large.

Tension increases and market nervous.

Danzig continued to be the storm centre and towards the latter part of August, the situation had reached a climax, when Germany concluded a non-aggression pact with Russia. This came as a complete surprise since the Nazi party in Germany had all along shown a positive dislike for Russia and its creed of communism. This put the European countries on guard and there was speculation as to the next move on the part of Germany as a result of the new alliance with Russia. The London Stock Exchange Committee fixed minimum prices for various British and Indian stocks as a precautionary measure. The price of 3½ per cent. India Sterling Stock was fixed at £80 and 3½ per cent. Rupee Paper declined to Rs.93-14 (24th). All other scrips in the local market were marked down, but trading was negligible, everyone preferring to watch further developments in the situation.

Wide fluctuations occur.

In the last week of August, fluctuations were very wide following varying rumours regarding the trend of European political situation. While the price of 3½ per cent. India Sterling loan was fixed at £80 minimum, 3½ per cent. Rupee Paper declined further to Rs.92-8. The gap between the price of the 3½ per cent. Rupee and Sterling loans had been gradually widening from the opening level of about 8½ points to about 13 points at this stage. This phenomenon was the direct result of the warlike news in Europe and investors preferred to convert sterling loans into rupee loans even at such a great sacrifice.

War declared in Europe.

On the 3rd of September war was declared by the U. K. and France on Germany in fulfilment of their pledge to come to the aid of Poland, if she should become the victim of German aggression. German troops marched into Poland on the 1st of September and Poland invoked the assistance of the British and the French Governments.

Precipitate fall in prices.

As was natural, there was a complete collapse in the gilt-edged section and the local market was devoid of buyers. 3½ per cent. Rupee Paper dropped to Rs.86-8 (8th) and was comparatively stable at this level owing to lack of supply of ready scrip. Dated bonds lost 8 to 10 per cent.; 3½ per cent. 1947-50 loan was offered at Rs.97, 4 per cent. 1960-70 loan at Rs.99 and 5 per cent. 1945-55 (Tax Free) loan at Rs.102.

Business restricted.

Business was restricted, however, and in fact there appeared small buyers in some dated bonds which had dropped out of proportion. In 3½ per cent. Paper, there was bear-covering in evidence owing to the incidence of the fortnightly settlement, the quotation recovering from Rs.86-8 to Rs.89. 5 per cent. 1945-55 (Tax Free) loan improved from Rs.102 to Rs.105 and 3½ per cent. 1947-50 loan from Rs.96 to Rs.97.

Further sharp decline in rates.

In the third week of September, there was a sharp drop in the price of 3½ per cent. Rupee Paper which compared with the other loans had remained fairly stable owing to shortage of supply of ready paper. Bulk of the open position having been squared up by now, the market became susceptible to fresh selling and the price accordingly dropped to Rs.82 (18th). Other scrips, however, maintained a steady undertone, since money was not showing signs of stringency despite the fact that war was on. In fact, the Bank of England rate, which had been raised to 4 per cent. on the declaration of war purely as a precautionary measure, was gradually lowered to the pre-war level of 2 per cent.

Forward Trading in 3½ per cent. paper suspended.

The stock exchange authorities following the restrictive measures adopted by the committee of London stock exchange banned forward trading in 3½ per cent. Rupee Paper with effect from 4th September.

Supplementary British Budget.

In the last week of September, following the publication of the Supplementary Budget by the British Government, which revealed an increase in the income-tax rate to 7*s.* 6*d.* in the pound and a large impending borrowing programme, there was a small setback in quotations of gilt-edged in the local market. 3½ per cent. Rupee Paper declined to Rs.80-7 (28th) and 4 per cent. 1960-70 loan to Rs.94. 5 per cent. 1945-55 (Tax Free) loan, on the other hand, remained fairly steady around Rs.105 owing to its comparatively attractive return.

Market settling to war conditions.

The markets were by now getting settled down to war conditions and with all indications pointing to the continuance of cheap money as before the war, gilt-edged prices showed a tendency to advance. In London where it was reported that business in most of the scrips after the war was done well below the minimum prices

fixed, quotations showed a substantial advance after the middle of October. There was an abundant supply of funds seeking investment in gilt-edged in the London market with the result that 2½ per cent. Consols advanced by 2¾ points to £66¾ and 3½ per cent. War Loan by about 3 points to £91½ during the third week of October. 3½ per cent. Rupee Paper in the local market advanced from Rs.81 to Rs.85-4 and 5 per cent. 1945-55 (Tax Free) loan to Rs.107-4.

Prices advance.

Bank of England rate lowered.

In the last week of October, the Bank of England rate was lowered to the pre-war level of 2 per cent. which caused the gilt-edged to gain further strength and prices advanced in all scrips. The minimum price limits were removed from some of the Indian Sterling Loans and actually 3½ per cent. Stock was quoted at £81½, being £1½ higher than the minimum. 3½ per cent. Rupee Paper advanced to Rs. 86-8 in sympathy and there was a general improvement in quotations.

Prices firm on investment demand.

Throughout November and December, the gilt-edged market presented a steady tone and there was a gradual improvement in quotations. The preponderance of cheap money and the firm attitude of the British Treasury to maintain its former policy of cheap money rates revived confidence among investors and there was a good inquiry for all kinds of bonds and scrips. The anticipations of the British Government floating large loans at higher interest rates for the prosecution of the War were not fulfilled and the Treasury continued to tap cheap sources of supply. Accordingly prices of all issues advanced sharply towards the end of the year. 3½ per cent. India Sterling loan was quoted at around £82 and 3½ per cent. Rupee Paper at Rs.87. The gap between the 3½ per cent. Rupee and Sterling loans which had widened to as much as 13 points was gradually narrowing until it stood at 6 points at the end of the year. It was reported that the Government of India were using a portion of its large sterling resources acquired since the outbreak of war in the purchase of India Sterling loans against the sale of Rupee loans in the local market. Furthermore, the gap of 13 points between the 3½ per cent. Sterling and Rupee loans itself was abnormal and needed to be corrected.

Gap between 3½ per cent. India Sterling and Rupee Paper narrows.

Dated bonds in demand.

All other scrips advanced and there was a fair investment inquiry. 3½ per cent. 1947-50 loan closed at Rs.97-2, 4 per cent. 1960-70 loan at Rs.102-4 and 5 per cent. 1945-55 (Tax Free) loan at Rs.110-6.

RAILWAY BUDGET.

The Hon'ble Sir Thomas Stewart, the Railway Member of the Government of India, introduced in the Central Legislative Assembly on Monday, the 13th February 1939, the Railway Budget for 1939-40.

The actual accounts for 1937-38 showed a surplus of Rs. 276 lacs against the revised figure of Rs. 283 lacs.

The budget estimates for 1938-39 were revised as under :—

	1938-39.	
	Budget Estimates.	Revised Estimates.
	(*Rupees in crores.*)	
	Rs.	Rs.
Total Traffic Receipts	94¼	94⅔
Total working expenses including depreciation ..	62½	63½
Net Revenue	31¾	31⅓
Deduct—Interest charges	29⅓	29¼
Surplus	2½	2

The surplus of Rs.2 crores, which was short of the full contribution by Rs. 2½ crores was to be paid to the General Revenues. The balance in the Depreciation Fund would stand at Rs. 24½ crores at the end of 1938-39.

The budget estimates for 1939-40 put Traffic Receipts at Rs. 94¾ crores and the total working expenses at Rs.64¼ crores, leaving a net revenue on State Lines of Rs.30·50 crores. Miscellaneous receipts and expenditure would yield a surplus of Rs.59 lacs, augmenting the net revenue to Rs.31·09 crores. After providing for interest charges of Rs.28·96 crores, there would be a surplus of Rs.2·13 crores. The increase of Rs.75 lacs in the working expenses over that of last year was mainly due to increased repairs and payment for rail cars obtained for North-Western Railway. The balance of Depreciation Fund at the end of 1939-40 would be Rs.30⅔ crores.

A provision of Rs.15 crores was made for works programme in 1939-40. Rs.75 lacs would be spent on feeder railways and Rs.6 lacs on two more railways in Sind. Track renewals would absorb Rs.4¾ crores and bridge work Rs.75 lacs. Structural works including purchase of South Bihar Railway would cost about Rs.3½ crores and Rs.5 crores had been provided for rolling stock.

THE GENERAL BUDGET.

The Hon. The Finance Member, Sir James Grigg, presented the fifth and last budget of his tenure to the Legislative Assembly on 28th February 1939. The actual working for 1937-38 showed a deficit of Rs.78 lacs which was met by a transfer of the amount from the Revenue Reserve Fund, leaving a balance in this Fund of Rs.1,06 lacs to be carried forward to 1938-39. The revised estimates

for 1938-39 showed a net deterioration of Rs.2,92 lacs in revenue. The fall in customs duty estimated at Rs.3,67 lacs was largely responsible for this deficit. Under the item "Expenditure" there was a net reduction of Rs.18 lacs occasioned by a decrease of Rs.1,18 lacs in the Civil estimates due largely to special economy measures, but counter-balanced by an increase of Rs.1,00 lacs in Defence Services. The result, therefore, showed that instead of realising a surplus of Rs.9 lacs as expected, there was a net deficit of about Rs.2,65 lacs.

Among other items of revenue, Currency and Mint showed a decrease of about Rs.18 lacs, while the Railway contribution showed a fall of Rs.51 lacs. The Central Excise Duties, on the other hand, showed an improvement of Rs.49 lacs, while Taxes on Income showed a betterment of Rs.47 lacs and Corporation Tax of Rs.32 lacs. The fall in customs revenue was of a general character occasioned by a general decline in trade. The fall was particularly heavy in the case of artificial silk fabrics and yarn and certain other textile items.

An increase of Rs.1,00 lacs in the item "Defence Services" was due largely to improved conditions of service for British military personnel aggregating Rs.1,15 lacs, Waziristan operations amounting to Rs.45 lacs and increased requirements of Ordnance Services totalling Rs.32 lacs. On the other hand, there had been a decrease of Rs.48 lacs due to the abandonment of the scheme for the conversion of four British Battalions into Machine Gun Units, of Rs. 26 lacs due to slowing-down of the programme of mechanization and of Rs.16 lacs due to withdrawal of four British Battalions.

With a view to offset the deficit in the budget which threatened early in the year owing to recession in trade, various economy measures were introduced, such as restriction on official promotions and on the recruitment of outsiders. Grants for travelling allowances and contingencies were cut by 10 per cent. and all possible economies were effected resulting in a saving of Rs.1,18 lacs. The economy was spread over practically all heads, the largest reduction being made in Civil Works owing to the abandonment or postponement of building projects already sanctioned.

There was a net saving of Rs.24 lacs under the item "Interest." The expected deficit of Rs.2,65 lacs was to be met out of the sum of Rs. 3 crores set aside from the reduction of debts, while there was virtually no debt repayment from revenue during the year; nor was there any fresh addition to indebtedness.

For financial year 1939-40, the total revenue was estimated at Rs.82,15 lacs compared to Rs.83,00 lacs in the revised estimates for the year 1938-39. The expenditure, on the other hands was budgeted at Rs.82,65 lacs, *i.e.*, Rs.3,00 lacs less than the revised estimates for the year 1938-39. This large shrinkage in expenditure was due largely to a decrease of Rs.1,73 lacs under "interest" and Rs.1,00 lacs under "Defence." Customs Duties were estimated to yield Rs.40,10 lacs, while the Central Excise Duties were expected to amount to Rs.8,28 lacs. Taxes on Income were expected to show a reduction of Rs.81 lacs during 1939-40 based on old income-tax rules and scale, thus wiping off the revised estimated increase of Rs.79 lacs in the year 1938-39. However, increases were expected to result from the introduction of the provisions of the Income-Tax (Amendment) Bill and

the application of a new scale based on the Slab System. The new scale of rates introduced is as under :—

Income-Tax.

A. Individuals, Unregistered Firms, Hindu Undivided Families and Associations of Persons (other than Companies).

	Rs.	Rate.
First	1,500 of income	*Nil.*
Next	3,500 ,,	9 pies in the rupee
,, ...	5,000 ,,	1 anna 3 pies in the rupee
,, ...	5,000 ,,	2 annas in the rupee
Balance of income		2 annas 6 pies in the rupee

No tax is payable on incomes not exceeding Rs.2,000.

Super-Tax.

A. Assessees other than Companies.

	Rs.	Rate.
First	25,000	*Nil.*
Next	10,000	1 anna in the rupee
,, ...	20,000	2 annas in the rupee
,, ...	70,000	3 annas in the rupee
,, ...	75,000	4 annas in the rupee
,, ...	1,50,000	5 annas in the rupee
,, ...	1,50,000	6 annas in the rupee
Balance of income ..	....	7 annas in the rupee

Income-tax for Companies—2 annas 6 pies in the rupee.

Super-tax for Companies—1 anna in the rupee on the whole income.

No surcharge to be charged in respect of either the Income-tax or Super-tax.

The Rs.50,000 exemption limit for Company Super-tax was abolished and the flat rate of 2 annas 6 pies was made applicable to incomes. The Finance Member stated that by the introduction of the new system, he expected that individuals would benefit to the extent of Rs.93 lacs by way of decrease in income-tax, but would pay Rs.1,17 lacs more by way of super-tax. The Companies were expected to yield Rs.31 lacs more in income-tax and Rs.21 lacs more by the abolition of the exemption from super-tax. All told, the combined effect of the changes in the income-tax was expected to result in an increase of Rs.1,31 lacs excluding Rs.21 lacs under Corporation-tax. Rs.1,78 lacs out of the total income-tax revenue was divided among the various Provinces under the Niemeyer Award, and this figure was about Rs.66 lacs more than the revised estimates for 1938-39. Under "Expenditure" Defence Services were estimated at Rs.45,18 lacs which was about the same as for the current year and about Rs.1 crore less than the revised estimates. The estimated deficit of

Rs.50 lacs was being made up by doubling the import duty on cotton from half an anna per lb. to one anna per lb. which was expected to yield about Rs.55 lacs in the financial year 1939-40.

A small change is made in the assessment of Excise Duty on sugar by the amendment of the definition of Factory in Section 2(A) of the Sugar Excise Duty Act of 1934 under which all factories producing Khandsari sugar and employing less than 20 persons were exempt from the excise duty of Re.1 per cwt. While the excise duty had been reduced from Re.1 to 8 annas per cwt. on this form of sugar, the amendment would extend liability to those factories which employed mechanical power in any of the processes of sugar production. This change was estimated to yield approximately Rs.5½ lacs instead of Rs.50,000 in the past year.

Ways and Means.—The Finance Member stated that Government had the option of redeeming the remainder of the Government of India 5 per cent. 1939-44 loan, the outstanding amount of which is little over Rs.20 crores. The time and manner of the redemption would depend on market conditions and on the Ways and Means position of the Government. Referring to the sterling liabilities of the Government, the Finance Member pointed out that the Reserve Bank of India as the Agent of Government had purchased sterling to the extent of £12 million during the first ten months of the year 1938-39 as compared to £15 million in the corresponding period of the previous year. This year's sterling requirements are estimated at little over £27 million as compared with £36 million in 1938-39 and £37 million in 1937-38.

The Finance Member's budget speech was regarded in commercial circles as a featureless one. The two items worthy of note were firstly the implementation of the provisions of the New Income-tax Amendment Bill passed by the Central Legislature and an increase in import duty on raw cotton. During the past two or three years when economic conditions showed marked improvement, it was hoped that the surcharge on tax on incomes, which was imposed as an emergency impost, would be removed, but that expectation was not fulfilled. Instead, the provisions of the new bill, which are bound to impose additional burden on the tax-payer, came into effect at a time when trade and industry of the country showed a declining trend. According to the revised scale, the maximum basic rate of income-tax has been raised from 2 annas 2 pies to 2 annas 6 pies and the removal of the exemption limit of Rs.50,000 in super-tax in the case of Companies will be a heavy additional burden. It is too early to judge precisely the effect these additional imposts will have on the economy of the country, but it may be mentioned that at the present juncture, they will operate as a retarding influence on the business activity. The hundred per cent. increase in the import duty on raw cotton met with strong opposition throughout the country. As it is, the existing duty of half an anna and the rupee/sterling exchange at 1*sh.* 6*d.* have afforded to a considerable extent competitive advantage to foreign manufacturers. The increase of a further half an anna in the import duty on foreign cotton is likely to give additional advantage to foreign competitors and particularly to Lancashire Cotton manufacturers since imports of cotton textile manufactures from other countries into India are generally of lower counts. This is an indirect and indeed a round about way of lending a helping hand to the Lancashire Cotton Industry. On economic grounds, a high rate of duty on a raw material which is utilised by an industry enjoying State protection is quite unjustified because it raises cost of

production unduly high and tends to nullify the effects of protection. It is futile to argue that a high duty on import of raw cotton is calculated to give protection to Indian agriculturists inasmuch as it would encourage him to grow long staple cotton in the country because it is not possible to grow in India cotton of this quality in sufficiently large quantities and experiments in this direction have already proved to be of little value. It may be interesting to note the remarks of Sir T. Ainscough in his report on conditions and prospects of United Kingdom trade in India as appearing in the *Statesman* of 23rd January 1939 :—

" The contraction of the Indian market as an outlet for overseas manufactured goods on account of the rapidly mounting domestic production is an issue which must be squarely faced by United Kingdom manufacturers and exporters. During the past two years, India lost her pride of place as the greatest market in the world of United Kingdom goods and now ranks third, having been surpassed by the Union of South Africa and Australia.

" In my report for 1935-36, I sounded a note of warning that the serious limitation of the Indian market as an outlet for overseas exporters, on account of the development of local secondary industries, would be likely to present serious problems for United Kingdom export trade in the future. Since then we have witnessed the industrial company-promoting boom of 1936 and early 1937, the results of which are apparent in the heavy imports of machinery and equipment and will soon be even more apparent in the contraction of the imports of those articles which will be locally produced when the new factories come into production.

" We may here consider the position of one or two of the major protected industries and the future probable position of the import trades concerned. Taking, first, the position of the Indian cotton mills, we find that last year, when the textile industries of the United Kingdom, the U.S.A. and the Continent were only working at a fraction of their capacity and in many cases, were operating without profit and barely earning adequate depreciation allowances, the Indian mills increased their production of cloth by over 500 million yards to the record figure of 4,084 million yards.

" Double-shift working was resorted to in order to cope with the flow of orders and profits were the highest for a decade or so. This activity synchronised with a reduction in imports from 764 to 591 million yards, of which the share of the United Kingdom was 267 million yards (to be contrasted with the United Kingdom share amounting to 1,456 million yards in 1928-29).

" The fall in imports from Lancashire continues and they are not likely to exceed 200 million yards during the current year. The present serious position is being intensified on account of the uncertainty with regard to the outcome of the Indo-British trade negotiations which, it is hoped, may result in a reduction of the import duty.

" Such a reduction cannot be expected to restore the United Kingdom cotton trade to anything like its former position in the Indian market, but it should at least impose a check to the downward trend and result in some increase in the total yardage."

BOMBAY BUDGET.

The Hon. Mr. A. B. Latthe, the Finance Minister to the Government of Bombay, presented the budget for the year 1939-40 to the Legislative Assembly on Tuesday, the 14th February 1939.

Referring to the revised estimates for 1938-39, the Finance Minister stated that he had anticipated a deficit in the revenue account of about Rs.44 lacs, but the revised estimates disclosed a deficit of Rs.56¾ lacs, of which Rs.50 lacs was the result of the transfer of this amount to "Special Development Fund Account" which was more in the nature of a book entry than an actual expenditure. Disregarding this figure, therefore, the revised estimates showed a revenue deficit of Rs.6¾ lacs only, *i.e.*, an improvement of Rs.37¼ lacs over the budgeted estimates. This improvement was partly due to larger contributions received by the Presidency from the Government of India in accordance with the Niemeyer Award. As against the budgeted figure of Rs.25 lacs, Rs.30 lacs were expected out of land revenue. On the expenditure side, the Government expected to spend only Rs.5½ lacs on minor irrigation as against Rs.12½ lacs provided in the budget estimates. Rs.9 lacs were expected to be saved under the item of "Scheme of Educational Expansion" for which provision of Rs.32·92 lacs was made in the budget estimates; this saving in expenditure was due to the fact that some of the schemes Government had in mind had not come into operation during the year. The Special Development Fund had been created by the Government with the free balances available in their hands to be utilised for development purposes of a non-recurrent character. Thus Government had followed the principle of providing for recurring expenditure out of recurring revenue only.

Referring to the budget estimates for 1939-40, the Finance Minister summarised the position as follows:—

	(In thousands of rupees.)
Revenue Receipts	12,55,17
Revenue Expenditure	12,83,63
Revenue Deficit	28,46
Debt Head Receipts	35,73,55
Capital and Debt Head Disbursements	35,10,68
Capital and Debt Head Surplus	62,87
Closing Cash Balance	89,13
Closing Free Balance	17,03

The Finance Minister stated that the deficit was due entirely to expenditure of non-recurrent character and was, therefore, being met from the opening free balances. The increase in the expenditure was due to the continuance and in some cases also expansion of various schemes of social welfare. Education, primary and otherwise, the training of primary school teachers, the acquisition of land for Animal Husbandry and Dairy Institutes were some of the items in this group. In making the above estimates, the Government had not accounted for the loss of revenue, as a result of the extension of prohibition programme and they proposed to submit to the House for its sanction further supplementary demands. The Government proposed to cut the excise revenue to Rs.150 lacs over and

above Rs.30 lacs of the last year. Rs.40 lacs out of this had been provided for in the budget leaving an uncovered loss of Rs.140 lacs. Apart from extending prohibition in areas surrounding where the experiment had been already going on, the Government proposed to take a big step forward by introducing prohibition in Bombay from 1st August 1939, which alone was estimated to entail loss of Rs.120 lacs in excise revenue in a full year. In addition to the Rs.140 lacs estimated loss which was to be provided for, there would be the additional cost for maintaining a preventive staff, estimated to cost about Rs.15 lacs, making a total of Rs.155 lacs to be provided for.

In addition to this, Government proposed to carry further social uplift measures in various directions and an additional expenditure of a recurring nature of Rs.35 lacs was being provided for rural development. Thus the total new expenditure for which fresh sources of revenue had to be found was estimated at Rs.220 lacs. This the Hon'ble Finance Minister proposed to raise as under :—

(1) An enhanced fee on conveyances in urban areas to raise a revenue of Rs.2 lacs. In some places, this enhancement would not apply to transactions below Rs.1,000.

(2) An enhanced Electricity Duty to raise Rs.17 lacs—Rs.13 lacs from Bombay City and Rs.4 lacs from other cities.

(3) A new Urban Immoveable Property Tax at 10 per cent. on the rateable value of such property, designed to raise at present Rs.108 lacs in Bombay and its suburbs and Rs.19 lacs in Ahmedabad.

(4) A Sales Tax on petrol at one anna per gallon which would bring in Rs.10 lacs a year. A new tax on mill-made cotton and silk fabrics, artificial silk yarn and cloth at a rate not exceeding 6¼ per cent. *ad valorem* expected to produce Rs.25 lacs. This tax was to be levied later.

(5) A tax on crossword competitions designed to produce about Rs.5 lacs a year.

The total yield from all new sources came to Rs.184 lacs in a year and the following table gives the estimated revenue from the new taxation this year not included in the budget :—

Electricity Duty	Rs. 17 lacs
Urban Immoveable Property Tax	Rs. 127 lacs
Sales Tax	Rs. 20 lacs
Tax on Crossword Competition	Rs. 5 lacs
	Rs. 169 lacs

The expenditure will be :—

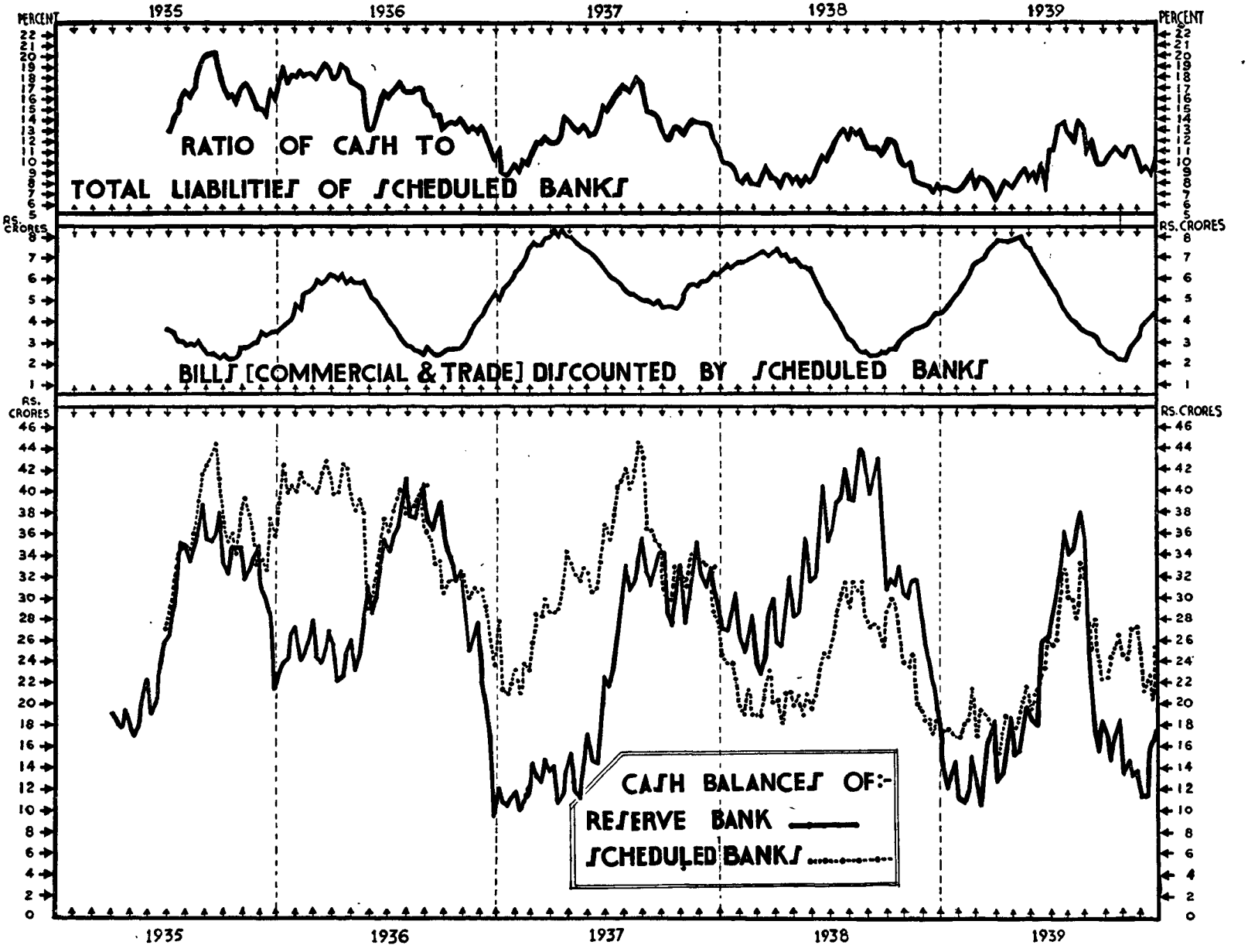
Loss in Excise Revenue in rural areas	Rs. 20 lacs
Loss in Excise Revenue in Bombay area	Rs. 90 lacs
Preventive Organisation	Rs. 15 lacs
Expansion of Rural Education	Rs. 9 lacs
Economic Rural Development	Rs. 35 lacs
	Rs. 169 lacs

An unusual but welcome step taken by the Finance Minister was to indicate his programme for the year 1940-41. He stated that in order to make up the difference of Rs.36 lacs between Rs.184 lacs which is expected to accrue out of new taxation and the Rs.220 lacs estimated loss of revenue and an additional expenditure on rural uplift, Government proposed to tap the following sources. They proposed to tax forward business in all markets, adjust court fees and widen the range of commodities under the Sales Tax. All these items together were expected to realise Rs.15 lacs leaving still a deficit of about Rs.21 lacs to be made in some other ways.

The Hon'ble Finance Minister stated that he quite realised that when the taxation programme was completed in 1940-41 he would have reached, if not crossed, the utmost limits of the possibilities in the Province. Therefore, it was the intention of the Government of Bombay to approach the Central Government with the request to give the full share of income-tax immediately instead of at the end of ten years which may bring in a crore of rupees and the Finance Minister also stated that the Government was going to ask the authorities concerned to agree to a reduction in the salaries of services including those under the control of the Secretary of State so that Government could complete its programme of prohibition in 1940-41 without recourse to additional taxation in the Province.

The budget was received with certain amount of concern by the commercial community and the public at large since the provisions of fresh taxation were expected to affect all and sundry.

MONEY CHART


1935
1936
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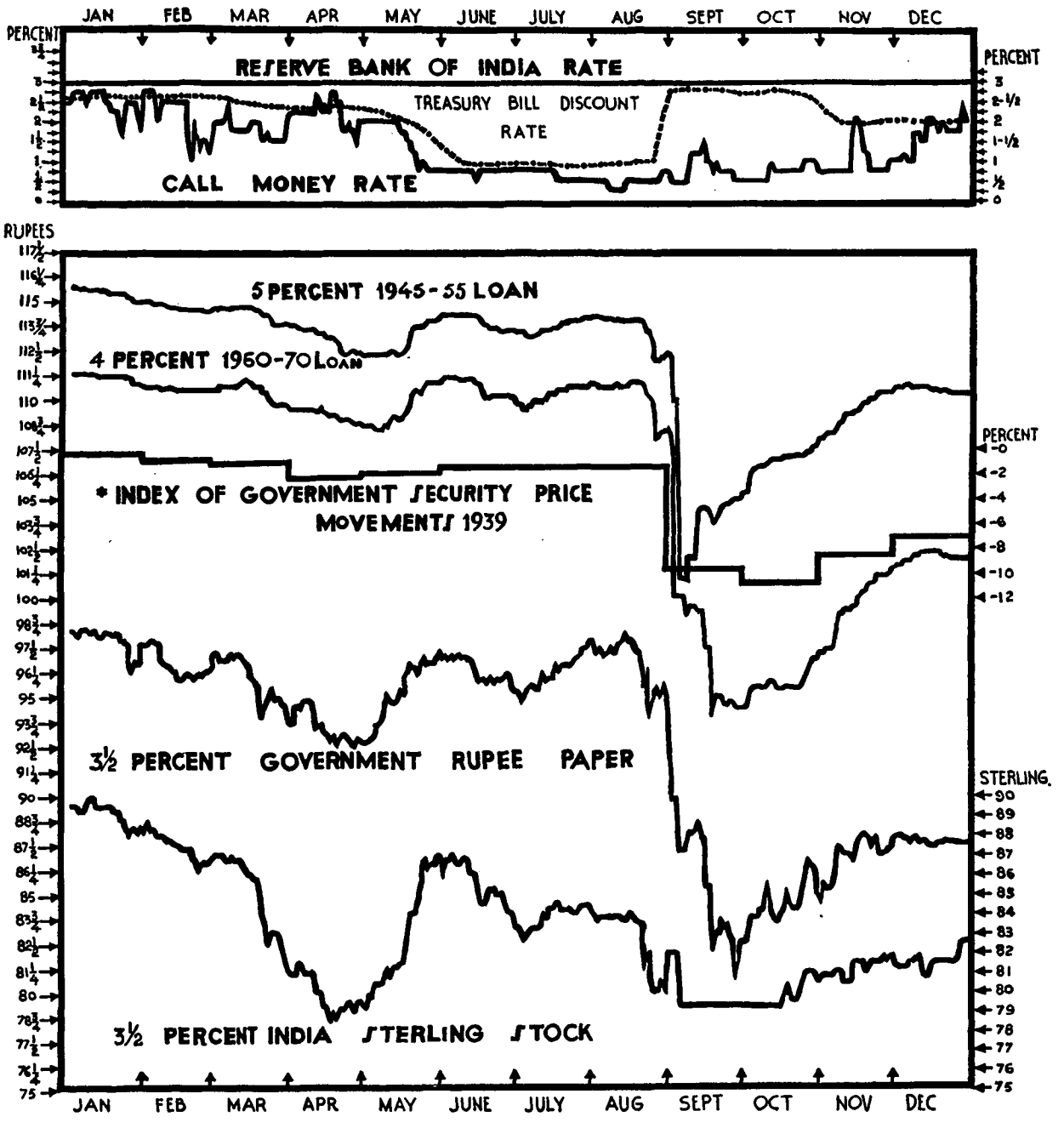
1939
PERCENT
RATIO OF CASH TO
TOTAL LIABILITIES OF SCHEDULED BANKS
RS. CRORES
BILLS [COMMERCIAL & TRADE] DISCOUNTED BY SCHEDULED BANKS
RS. CRORES
CASH BALANCES OF:-
RESERVE BANK
SCHEDULED BANKS

MONEY CHART-1939.



* Represents the monthly rise or fall in per cent. from the opening rates of the year on all Government Securities taken at their face value of Rs. 100.

STERLING EXCHANGE.

Spot steady, forward quiet.

Towards the end of 1938, owing to stringent conditions in the money market rupee/sterling exchange was steady for spot delivery, although forward positions were freely offered due to the fact that local exchange banks were selling near and buying forward T.T. on London with a view to bring in funds from London to meet their year-end requirements in the local market. The same state of affairs continued after the turn of the year and in the first week of January, sellers of spot T.T. were quoting 1*s.* 5-29/32*d.* with buyers at 1*s.* 5-15/16*d.*, whereas February delivery was quoted 1/32*d.* lower. During the middle of the month, however, the forward market was a shade steadier with the result that sellers of both spot and February T.T. quoted 1*s.* 5-29/32*d.*, but the discount on forward rupees had not completely disappeared because whereas there were buyers of spot T.T. at 1*s.*5-15/16*d.*,

Export bills placed.

March delivery was quoted 1/32*d.* better at 1*s.* 5-29/32*d.* Some business in connection with the export of gold was put through in the first two weeks of the month, but the showing of merchandise export bills was small. In the third week of January, some export bills were put on the market, which was responsible for a steadier feeling and business for forward delivery which could only be put through at sacrificial rates early in the month was now negotiable with greater ease. Absence of speculative sales of forward rupees against sterling was also responsible for the steadiness in the

Market dull.

forward deliveries. Towards the end of month, the sterling exchange market was dull in absence of any sizable showing of export bills and business in connection with the export of gold. At the end of the month, the market was quoting 1*s.* 5-61/64*d.* for buying and 1*s.* 5-29/32*d.* for selling, occasional business passing at 1*s.* 5-15/16*d.*

Reserve Bank buys sterling.

The Reserve Bank of India continued to obtain sterling on tap both from the open market as also from their constituents abroad on whose behalf they were buying gold in fairly large quantities in this market throughout the month and receiving payment in sterling. Total amount of sterling purchased by the Bank during January amounted to £6,495,000, all of which was purchased at 1*s.* 5-15/16*d.*

Business slack.

During the first half of February, the market was dull with practically no business in connection with export of gold although small showing of merchandise export bills was discernible. During the last two weeks of the month, there was practically no showing of export bills, but a fair amount of business in connection with export of gold was put through. Throughout the month, sellers of spot T.T. quoted 1*s.* 5-29/32*d.* with buyers at 1*s.* 6-1/64*d.* As a result of accumulated sterling balances,

Sterling securities increase.

the Reserve Bank of India were able to increase their Issue Department's Portfolio of Sterling Securities by Rs.2.66 crores in the second week of February and they also revived the method of buying sterling through tenders in the last week of the month when they invited tenders for £1 million and allotted approximately 97 per cent. to tenderers at 1*s.* 5-15/16*d.* Total amount of sterling purchased by the Reserve

Reserve Bank sterling purchases.

Bank during February both in the open market and through the medium of gold purchases on account of their foreign constituents amounted to £7,707,000 at an average rate of 1*s.* 5-15/16*d.*

Rates steadier.

In the opening week of March, some merchandise export bills appeared on the market with the result that quotations were marked up fractionally, sellers of spot T.T. quoting 1*s.* 5-59/64*d.* with buyers at 1*s.* 5-61/64*d.* Towards the middle of the month, the market firmed up further on some showing of merchandise export bills particularly in outside markets and on fair business in connection with export of gold. Sellers of spot T.T. were quoting 1*s.* 5-31/32*d.* with buyers at no better than 1*s.* 6*d.* The rise, however, seemed to be overdone and in the third week of the month in spite of continued showing of merchandise export bills and fair business in connection with export of gold, the quotations were marked down to 1*s.* 5-61/64*d.* for sellers and 1*s.* 5-63/64*d.* for buyers. Towards the end of March, small inquiry for remittances abroad against imports of silver imparted a quieter tone to the market particularly in view of the fact that showing of export bills was restricted and comparatively little business was done for export of gold. Sellers of spot T.T. at the end of the month quoted 1*s.* 5-15/16*d.* with buyers at 1*s.* 5-31/32*d.* During the first week of the month, the Reserve Bank of India were able to obtain £1 million through tenders, of which £975,000 were acquired at 1*s.* 5-15/16*d.* and £25,000 at 1/32*d.* higher. During the succeeding weeks of the months, the Bank purchased £1,465,000 through tenders at 1*s.* 5-31/32*d.* in addition to which they obtained £3,469,000 on tap..

Remittance inquiry

Rates ease.

Whereas at the end of March sellers of spot T.T. quoted 1*s.* 5-15/16*d.* with buyers at 1*s.* 5-31/32*d.*, in the first week of April, the market declined to 1*s.* 5-29/32*d.* for sellers and 1*s.* 5-15/16*d.* for buyers. The quieter feeling was also reflected in the applications for sale of sterling to the Reserve Bank and on 5th of the month, the amount offered for sale totalled only £15,000 at 1*s.* 5-15/16*d.*, but the offer was rejected. During the second and third weeks of the month, the market revived fractionally and the quotations were once again marked up to 1*s.* 5-15/16*d.* for sellers and 1*s.* 5-31/32*d.* for buyers. Large applications for sale of sterling were made on the 12th of April, when tenders to the amount of £350,000 at 1*s.* 5-15/16*d.* were received by the Reserve Bank and accepted in full. In the third week, although business in connection with export of gold was virtually at a standstill, some merchandise export bills were put on the Calcutta market which gave a firmer undertone to the market. The quotation for spot T.T. which had declined to 1*s.* 5-59/64*d.* for sellers and 1*s.* 5-61/64*d.* for buyers early in the third week, moved up to 1*s.* 5-15/16*d.* for sellers and 1*s.* 5-31/32*d.* for buyers at the end of the week. This firmness was reflected in applications for sale of sterling to the Reserve Bank of India and on 19th April, tenders to the amount of £7,775,000 at 1*s.* 5-15/16*d.* were received by the Bank and were allotted approximately 6 per cent. The Bank

Gold exports slack.

simultaneously increased the amount of sterling tenders to £1 million from the following week but the total amount of sterling received by the Reserve Bank in that week amounted to £60,000 only which were accepted in full. In the open market, the quotation declined to 1*s.* 5-29/32*d.* for sellers and 1*s.* 5-15/16*d.* for buyers. The total amount of sterling purchased by the Reserve Bank during April was £910,000 through tenders and £1,710,000 on tap but the latter figure also included sterling acquired through the medium of gold purchases effected by the Bank on account of their foreign constituents.

Quotations recede.

Sterling tender amount decreased.

In the first week of May, the authorities once again reduced the amount of sterling tenders from £1 million to £500,000 a week, but no applications were received by the Reserve Bank owing to the fact that the market was quieter in the absence of any sizable showing of merchandise export bills, or for that matter, business in connection with the export of gold. The market quotation declined to 1*s.* 5-29/32*d.* for sellers and 1*s.* 5-15/16*d.* for buyers. In the second and third week of May, sterling exchange was inclined to be flat and the authorities suspended the purchase of sterling through tenders on the 10th of the month until further notice. After the middle of the month, the market turned quieter and sellers of spot T.T. quoted no better than 1*s.* 5-7/8*d.* with buyers at 1*s.* 5-29/32*d.* In the last week of the month, the market declined further, sellers of spot T.T. quoting 1*s.* 5-27/32*d.* with buyers at 1*s.* 5-7/8*d.*, but towards the close the quotation advanced fractionally to 1*s.* 5-55/64*d.* for sellers and 1*s.* 5-57/64*d.* for buyers on some showing of merchandise export bills, which were attracted by the low rates of discount. The authorities purchased no sterling during the course of the month either on tap or through tenders and the foreign balance of the Reserve Bank, which had steadily piled up from Rs.133.54 lacs on the 6th of January to Rs.1485.40 lacs on 24th March, steadily declined to Rs.1008.58 lacs on the 26th of May except for a temporary increase to Rs.1243.00 lacs on 28th April.

Sterling Purchases suspended.

Further drop in rates.

No purchases of sterling.

Undertone shade steadier.

Early in June, the undertone of the market was a shade steadier and buyers of spot T.T. were reluctant to quote anything better than 1*s.* 5-57/64*d.* owing to the fact that some business in connection with export of gold as well as merchandise was put through. In the second week of June, the market improved further, sellers of spot T.T. quoting 1*s.* 5-7/8*d.* with buyers at 1*s.* 5-29/32*d.* The firmness was attributed partly to the absence of any outward remittance and partly to showing of merchandise export bills. In addition to this some inward remittance by foreigners for purchases of gold to be kept earmarked on their account in India was also reported. During the latter half of June, the exchange market kept quietly steady, sellers of spot T.T. quoting 1*s.* 5-57/64*d.* with buyers at 1*s.* 5-59/64*d.* except for a very temporary firmness towards the end of the month when sellers quoted 1*s.* 5-29/32*d.* with buyers at 1*s.* 5-15/16*d.* The quotations at the end of June, however, were 1*s.* 5-57/64*d.* and 1*s.* 5-59/64*d.* for sellers and buyers respectively. The showing of

merchandise export bills during the latter half of the month was negligible, but some business continued to be put through in connection with export of gold. During June, the Reserve Bank purchased £375,000 on tap at 1*s.* 5-15/16*d.*

Market turns easier.

In the opening week of July, sterling exchange turned quieter on some remittance inquiry against imports of silver and sellers of spot T.T. quoted 1*s.* 5-7/8*d.* with buyers at 1*s.* 5-29/32*d.* In the second week of the month, however, fair business in connection with export of gold and some showing of merchandise export bills imparted a steadier tone to the market with the result that sellers quoted 1*s.* 5-57/64*d.* with buyers at 1*s.* 5-59/64*d.* During the rest of the month, the market kept flat and the quotations varied fractionally between the limits of 1*s.* 5-7/8*d.* and 1*s.* 5-29/32*d.*

Firm undertone on export bills.

Early in August, good showing of merchandise export bills in the Calcutta and Madras markets and large business in connection with export of gold in Bombay imparted a firm undertone to the market, sellers of spot T.T. quoting 1*s.* 5-29/32*d.* with buyers at 1*s.* 5-15/16*d.* There was no change in exchange rates until the middle of the month when increasing political tension in Europe again gave a firmer undertone to the market owing to the fact that speculators were anxious to cover up their bear positions in rupees. By the third week of August, sellers of spot T.T. were quoting 1*s.* 5-59/64*d.* with buyers at 1*s.* 5-61/64*d.* Some merchandise export bills were also put on the market, but business in connection with export of gold was small. The forward market was very difficult, with sellers predominating and buyers reluctant particularly after the rise in the Bank of England's discount rate from 2 to 4 per cent. on 24th August 1939. The local exchange banks were not inclined to deal for deliveries extending beyond the end of September. During

Large purchases of sterling by the Bank.

August, the Reserve Bank of India purchased sterling to the extent of £5,790,000 at an average rate of 1*s.* 5-15/16*d.* which figure also includes sterling acquired through the purchase of gold on account of foreign buyers.

With the outbreak of hostilities on the 3rd of September, the Government of India issued a memorandum under the Defence of India Ordinance for the control of foreign exchange, the full text of which is reproduced hereunder :—

Foreign Exchange and Gold.

FOREIGN EXCHANGE.

Foreign exchange control.

Purchases and sales of sterling are not restricted but " forward " facilities will be obtainable only for genuine trade purposes.

Purchases of other foreign currencies by the public are subject to strict control but such foreign exchange will be obtainable for genuine trade purposes, for petty personal remittances and for travelling as indicated below.

All dealings in foreign currencies (including sterling) must be made through authorised dealers in foreign exchange. The public should continue to deal direct with their usual bankers.

Persons resident in India wishing :—

(1) To purchase or sell sterling should apply to their bankers in the usual way ; (2) to sell foreign currencies other than sterling should apply to their bankers in the usual way ; (3) to purchase foreign currencies other than sterling should make application to their bankers on the appropriate form as follows :—(*a*) for paying for imports use form A1 ; (*b*) for travelling abroad use form A2 ; (*c*) for other genuine trade purposes use form A3 ; (*d*) for petty private remittances (up to a limit of the equivalent of Rs.2,000) use form A4 ; and (*e*) for remittance of saving and other purposes not specified above use form A5.

Notes.—(1) Applications in Forms A1, A2, A3 and A4 will normally be granted on compliance with the formalities indicated in the Forms. Applications in Form A5 will, in all cases, be referred by the authorised dealer to the Reserve Bank of India for sanction. Large transfers of a capital nature will not normally be permitted.

(2) Post Offices will continue to transact a limited business in money orders for transmission abroad on conditions ascertainable from such offices.

(3) When sterling is purchased with the object of remitting the proceeds later into some other currency the purchaser should obtain a certificate in Form A6 from an authorised dealer for surrender to the Exchange control authorities in the United Kingdom. The supply of foreign exchange against sterling is, however, entirely a matter for the United Kingdom authorities, and the certificate in Form A6 does not confer any right to obtain foreign exchange in the United Kingdom.

GOLD.

Purchases and sales of gold in British India may continue to be made freely. Imports and exports of gold may only be made under licence obtained by an authorised dealer in gold.

Persons desiring to import or export gold must apply to the nearest Banking Office of the Reserve Bank of India (Bombay, Calcutta, Delhi or Madras) for registration as authorised dealers in gold. They will be supplied with a copy of the "Memorandum to Authorised Dealers in Gold" explaining the procedure.

Licences for imports and exports of gold from or to the United Kingdom will be granted freely to authorised dealers in gold.

Licences for import or export of gold from or to other non-hostile countries will be subject to such conditions as may be imposed in each case.

Precautionary measures.

The measures indicated in the Memorandum are precautionary and with a view to maintain the stability of the rupee in terms of foreign currencies. The Reserve Bank of India is authorised by the Central Government, by a special notification dated 4th September 1939, to deal in foreign exchanges and is empowered to authorise other firms to deal in foreign exchanges, gold coin and bullion. The Central Government have notified that for the present they do not propose to apply rule 92 of the Defence of India Ordinance relative to the compulsory acquisition of foreign exchanges and rule 94 for compulsory acquisition of foreign securities. However, the Central Government have given general permission under rule 93(2) of the Defence of India Ordinance for the acquisition of sterling securities."

Rupee Sterling exchange unaffected.

Purchases and sales of sterling for spot delivery were not restricted although the Memorandum made it clear that forward facilities would be obtainable for genuine trade purposes. Rupee/sterling exchange was unaffected by events in Europe except that business was confined almost entirely to trade purposes and limited to delivery within two months. Quotations also were practically unchanged although the margin between the buying and selling rates was increased and sellers of spot T.T. quoted 1*s*.5-29/32*d*. and buyers 1*s*.5-31/32*d*. Owing to a sharp increase in the discount rates in the London market, the banks' buying rate for 90 D/st. sterling bills on London was raised from 1*s*.6-3/32*d*. to 1*s*.6-11/32*d*. in the beginning of September and bills payable after the 8th of October 1939 were quoted at 1*s*.6-3/8*d*., whereas dealings beyond 8th November were not possible. Throughout September, the exchange market was flat with sellers of spot T.T. quoting 1*s*.5-29/32*d*. and buyers 1*s*.5-31/32*d*. Although forward rates were inclined to harden, buyers for forward delivery quoted 1*s*.6*d*. for one month and 1*s*.6-1/32*d*. for two months. Although inter-bank dealings were permitted for any delivery dealings with Houses were restricted to two months forward. Small business in connection with export of gold was occasionally reported during September, but, owing to freight and insurance difficulties, showing of merchandise export bills was very restricted. The Reserve Bank of India acquired large blocs of sterling both from the open market and from their foreign constituents on whose account they were buying large quantities of gold locally and receiving payment from them in sterling. The total amount of sterling acquired during the month aggregated £6,860,000 at an average rate of 1*s*.5-15/16*d*. The Bank's portfolio of Sterling Securities increased by Rs.5 crores in the last week of the month, whilst foreign balances of the Bank showed a rise from Rs.3·37 crores at the beginning of August to Rs.15·91

Bill rates harden.

Dealings restricted.

Large purchases of sterling.

Reserve Bank buys forward.

crores towards the end of September. The Reserve Bank also announced that they would, in future, be prepared to purchase sterling for forward delivery extending over a period of 90 days at 1/32*d.* per month higher than their spot rate, and this was responsible for narrowing the gap between spot and forward rates in the open market.

Tap rate raised.

Early in October, the Reserve Bank raised their tap rate for purchases of sterling by 1/16*d.* to 1*s.*6*d.* with the result that the market moved up by 1/16*d.*, sellers of spot T. T. quoting 1*s.* 5-31/32*d.* and buyers 1*s.* 6-1/32*d.* Throughout the rest of the month, sterling exchange was quietly steady, sellers of interbank T. T. quoting 1*s.* 5-63/64*d.* with buyers at 1*s.* 6-1/64*d.* occasional business being reported within this range, but the turnover was comparatively small. Rates for business with Houses were fixed by the Exchange Banks' Association as under and remained unchanged throughout the month :—

	Sellers	Buyers
Spot	.. 1*s.* 5-31/32*d.*	1*s.* 6-1/32*d.*
1 month forward	.. 1*s.* 6*d.*	1*s.* 6-1/16*d.*
2 months forward	.. 1*s.* 6-1/32*d.*	1*s.* 6-3/32*d.*
3 months forward	.. 1*s.* 6-1/16*d.*	1*s.* 6-1/8*d.*

Market maintains steady tone.

November saw practically no change in the exchange rates for interbank transactions and throughout the month sellers of spot T. T. quoted 1*s.* 5-63/64*d.* and buyers 1*s.* 6-1/64*d.* The rates fixed by the Exchange Banks' Association for merchant business were, however, altered in the middle of November as under :

Sellers :	Spot and upto two calendar months	.. 1*s.* 5-31/32*d.*
	Third calendar month	.. 1*s.* 6*d.*
Buyers :	Spot and upto one calendar month	.. 1*s.* 6-1/32*d.*
	Second calendar month	.. 1*s.* 6-1/16*d.*

Remittance inquiry.

At this stage, some remittance inquiry in connection with purchases of silver from the Government of India was in evidence, the silver being sold for delivery in Bombay against payment in sterling in London, but this was more than offset by large shipments of gold and some improvement in the showing of merchandise export bills.

Further large purchases by Bank.

The Reserve Bank of India were able to acquire large amounts of sterling, the total amount purchased being £10,393,000 during October and £8,445,000 during November, exclusive of their forward purchase. The Bank's portfolio of Sterling Securities increased by Rs.18 crores to Rs.82·50 crores at the end of November. The foreign balances of the Bank rose from Rs.10·95 crores to Rs.17·40 crores in early November and after dropping to Rs.11·42 crores in the second week stood at Rs.15·06 crores at the close of the month.

Shade quiet tone.

Owing to continued demand for remittances to London against purchases of silver from the Government of India, sterling ruled quieter during the first half of December, sellers of interbank spot T.T. quoting 1*s.* 5-63/64*d.* with buyers at 1*s.* 6*d.* In the second week of the month, banks began to discriminate against remittances for silver purchases with the result that, whereas sellers of spot T. T. for ordinary remittances were quoting 1*s.* 5-31/32*d.*, T. T. against silver purchases was available at no better than 1s. 5-15/16*d.* Large exports of gold in the second half of the month imparted a steadier undertone to the market and by the third week, sellers of spot T. T. once again were quoting 1s. 5-63/64*d.* and buyers 1*s.* 6-1/64*d.*

Large gold exports.

Owing to smaller remittance inquiry against silver purchases, the quotation for remittances against silver was brought in line with the general market rate of 1*s.* 5-31/32*d.* Throughout the rest of the month and until the end of the year, there was no change either in the interbank T. T. rates, which were 1*s.* 5-63/64*d.* for sellers and 1*s.* 6-1/64*d.* for buyers, or in the merchant rates which were as under:—

Sellers :	Spot and upto two calendar months	.. 1*s.* 5-31/32*d.*
	Third calendar month	.. 1*s.* 6*d.*
Buyers :	Spot and upto one calendar month	.. 1*s.* 6-1/32*d.*
	Second calendar month	.. 1*s.* 6-1/16*d.*

Sterling Securities increase.

The Reserve Bank of India were again able to purchase large amounts of sterling during the month, the total acquired being £11,438,000 at an average rate of 1*s.* 6*d.* The Bank's portfolio of Sterling Securities increased from Rs.82·50 crores to Rs.107·50 crores at the end of the year, but the foreign balances of the Bank declined from Rs.16·57 crores at the beginning of the month to Rs.5·55 crores at the end.

FOREIGN EXCHANGE.

Sterling weak at opening.

Although the first week in January is generally regarded as a transition period in foreign exchange and financial markets, sterling was under greater pressure than at any time since September 1938. Opening weak after the New Year holiday, the pound declined to $\$4 \cdot 62\frac{7}{16}$, close to its lowest level in five years, and simultaneously the price of gold in London advanced by five pence to 150*sh.* 5*d.* While the offerings of gold were not large, London reports indicated that most of it was taken by private hoarders. The withdrawal of foreign funds continued to exert pressure on the pound and on the 5th of January, the British Treasury asked all banks and bullion firms to co-operate in checking speculation against sterling; restrictions on speculative dealings in gold were revived and foreign exchange operations were submitted to the closest scrutiny. It was noted that on 6th January, the Bank of England sold £200 million worth of gold to the British Exchange Equalization Fund. It was known that the Fund had been losing gold heavily (£146 million in six months) since the end of August 1938 and it was estimated that by January had

Restrictions imposed by Bank of England.

lost further £60 million. These radical measures to strengthen the currency resulted in raising the pound to $4·67. Sterling, thereafter, maintained its strength and moved within the range of $4·67 3/16 and $4·67 11/16 after once touching $4·68 3/8. At the same time, there was a fall in the forward premium on gold standard currencies.

French franc rules steady.

Among other foreign exchanges, French francs were firm on continued improvement in the financial situation following the policy of Finance Minister Reynaud. There was a steady repatriation of funds from abroad, which was largely responsible for the pressure on sterling. It was estimated that not less than Frs. 12,000 million had returned to Paris since October 1938. Francs were quoted between 176·50 and 177·50 to the pound as against the minimum rate of 179 established a few months ago, the discount rate on forward francs remaining between 3/4 and 7/16.

Narrow movements in other European currencies.

Other European currencies saw no fresh change in the New Year. The Scandinavian currencies were at a lower level due to the depression of sterling with which they were allied, but later firmed up in close sympathy with the sterling. The Dutch and Swiss currencies, which moved independently, showed firmness and belgas were particularly steady.

German marks and Italian lira controlled.

German marks and Italian liras were unaffected by the movements in the neighbouring units owing to the rigid control of exchange. It was evident, however, that the economic position of Germany was becoming increasingly unfavourable and the various marks (registered, tourist and several other brands of marks) collectively constituted a disguised inflation which was not officially admitted. The Italian situation, on the other hand, was markedly improving and showed signs of greater equilibrium.

Far Eastern currencies weak.

South American currencies were characterised by strong exchange regulations, but the Far Eastern ones, due to their alliance with the pound and due to curtailment of trade following uneasiness in the political situation, were weak at the opening and later fluctuated with sterling.

Markets maintain steady tone.

In the following month, there was little change in the foreign exchange market. Sterling continued to be teady and the sterling/dollar cross-rate touched $4·69 owing to better feeling on the market about international politics. In the middle of March, however, there was acute nervousness in the market owing to the absorption of Czechoslovakia by Germany, but the controls intervened and there was little variation in values. Considerable business in dollars was reported, which, however, was not reflected in the small movements in rates, but was clearly noticeable in the forward market where the premium rose to 3·8 cents (March 20) and kept round 2 cents for the rest of the month.

Political situation dominates markets.

The ordinary seasonal factors which in less disturbed times would dominate exchange movements were no longer effective. The chief controlling factors were the disturbed political situation and the extremely depressed condition of international trade. The uneasiness consequent upon political disturbances was reflected in the accelerated flow of gold to America, where it was earmarked on behalf of several European Governments. In March, gold shipments totalled $365,436,437, the largest since the Munich crisis.

Narrow movements.

In April, variations kept within narrow limits, sterling being quoted round about $4·68. French francs continued to be steady and the Belgian currency which had been under pressure since the beginning of the year showed greater firmness but for a set-back when forward belgas were quoted at a discount of over 1 belga on rumours of devaluation. The sterling/belga rate touched 27·48, the highest since 5th January.

War risk Insurance rates lowered.

On May 8th, the London Marine Underwriters declared extensive reductions in war risk insurance rates which indicated a definite relaxation in the political tension. Hoarding of gold and bank notes, however, continued unabated both in England and France as was evident from the phenomenal increase in note circulation in these countries. In order to stem the flow of British capital to the U.S.A. the London stock-brokers agreed not to quote American securities until further notice. This was in response to the appeal of the British Chancellor of Exchequer, Sir John Simon, who had repeatedly cautioned British investors against sending their funds abroad. Foreign holdings of American securities had increased a great deal during the last few years. The recurrent war scares were mainly responsible for this tendency as it was obvious that foreign investments were made not with a view to promote trade interests but merely to secure the safety of refugee capital. The Chancellor's appeal was taken seriously by the public at large though some resentment was felt by losing Anglo-American investment houses.

British and American Equalisation Funds co-operate.

In June perspective, Sterling continued the trend in evidence during the previous month and was steady due to the co-operation of the British and American Equalization Funds. French francs were steadier than ever in the preceding four months and so were the Dutch and Swiss currencies.

The better feeling about international politics noticeable for some time past had its effect on sterling which rose in value to $4·68¾ (6th), but the trouble in Tientsin caused a fall of ½ cent to $4·68¼ next week, little change being noticed in terms of French francs which remained stationary around 176·62. The Far East dominated the exchange market where Shanghai dollar dropped from 8*d.* to 6½*d.*

Shanghai $ drops.

Foreign Exchange Market active.

The foreign exchange market became more active in the first week of July and the fate of the dollar was particularly awaited on the introduction of the Monetary Bill in the Senate, but it was generally held that the President's powers would

be extended. The market was getting acclimatised to the crisis atmosphere and the controls stepped in whenever pressure was experienced. It was announced (12th) that the Bank of England had purchased gold worth £20,002,848 to strengthen the reserve against the seasonal rise in note circulation. The increase in the period under review was larger than of late years due in part to the larger holding of notes by the banks to meet any possible emergencies, in anticipation of the August Bank holiday and tourist requirements, not to mention the demand consequent upon the increased rearmament programme.

Bank of England purchases large quantities of gold.

Reichsbank note-issue increases.

The Reichsbank statement for July 31 showed note circulation at a new high level of 8,987 million marks, the highest since the re-establishment of the gold mark. The currency, however, was rigidly steady with reference to the pound.

Further drop in Shanghai $.

In the Far Eastern exchanges, the Chinese dollar rate again broke from 6½*d.* to 5*d.* on the Anglo-Chinese stabilisation Fund withdrawing its support and later slid to 4⅝*d.* (27th).

Cross-rates controlled.

For weeks there was a scarcity of news which could have any direct bearing on the exchange market. Transactions remained restricted. But in the last week of August, there were renewed fears regarding the European political situation. Sterling was under severe pressure as a result of the German-Polish crisis and conclusion of the Russo-German Pact, but was kept by the Authorities at $4·68⅛. The forward rate, however, widened to 2⅜ cents premium. The control took out the peg of $4·68⅛ to the pound (25th) resulting in a sharp fall in the value of the pound in all markets. Sterling fell to $4·35 in the New York market, touching $4·10 two days later. The rate of exchange in Paris moved against the pound, but not to the same extent as the Belgian, Dutch and Swiss currencies. French francs were quoted between 174 and 175, Belgas were quoted around 25, guilders between 7·70 and 8·70, and Swiss francs between 18·40 and 19·55. There were no quotations in the forward market.

£ depreciates against $ on removal of peg by control.

Gold flight to U.S.A. accelerated.

The flight of gold to the U. S. A. from Europe was greatly accelerated and it appeared likely that the gold stocks of the U. S. Treasury would soon exceed $17,000 million. Out of $1,500 million worth of gold earmarked for various continental Governments, it was estimated that more than $1,000 million was held by the British Government.

War breaks out.

On the first of September, Germany launched its offensive against Poland and on the third, England and France, in fulfilment of their pledge, declared war on Germany. The effect on the exchange market was startling. Regulations were introduced in England, France and other allied countries to establish rigid control over foreign exchange. The British control marked sterling down to a figure at which it should be easier to hold. It was decreed that persons resident in Great

Dealings in gold prohibited.

Bank of England transfers gold to Equalisation Fund and New York/ London Cross-rate fixed.

Britain must sell all their gold and foreign exchange holdings to the authorities. Dealings in gold were prohibited except through official channels. The practice of fixing the price of gold was suspended and the Bank of England declared 168*sh.* as its buying price, the highest on record. On the 6th the Bank of England transferred its gold reserve estimated at £280 million to the Exchange Equalisation Fund in order to sustain the currency. This marked the most momentous step taken by the Bank since September 1931 when gold payments were suspended. The sterling/dollar rate was fixed between $4·02 and 4·06; subsequently reduced to $4·02 and $4·04; French francs were fixed between 175 and 176; the guilder between 7·57 and 7·64; Swiss francs between 17·87 and 18·05 and belgas between 23·42 and 23·72.

Sterling/ dollar rate appreciates in New York.

In the New York free market, the pound was at one time quoted at as low as $3·73 (8th), but as days passed, it gradually approached the official rate fixed in London, as a result, it was presumed, of close co-operation between British official control and U. S. authorities. Towards the end of September, foreign exchanges showed a firm undertone in contrast with the erratic and disordered movements displayed in the first three weeks of war, and trading was settling down to a normal pace. Among other exchanges, the belgas were particularly firm because of Belgium's neutrality and her adherence to gold. Dutch guilders and Swiss francs were also firm. The Scandinavian currencies started to move independently of the sterling, having abandoned the tie which had prevailed for many years.

Belgas firm.

Far Eastern Exchanges easier.

Exchanges in the far Eastern countries were adversely affected in the beginning owing to the initial slump in sterling as all the units were linked to it either by official control or legal enactments, but later grew steadier in sympathy with the improvement in sterling in the free market in New York.

Rigid control of Foreign exchanges in London.

Sterling maintained its steadiness throughout the second month of the war exceeding the upper limit fixed by the control when it touched $4·05 in the New York free market (7th). A foreign exchange market governed by strictly commercial requirements, which existed during normal times, had practically vanished. International commerce on the high seas was greatly reduced in volume. Traders were unable to predict the trend of sterling or any other currency. In fact, whether rates advanced or declined in the free market, the actual business upon which they moved was extremely limited.

Exchange in the neutral countries showed mixed trends. Dutch guilder was inclined to be weak and to a lesser degree the Swiss franc. Even the Scandinavian currencies displayed a tendency towards ease. The hesitant tone of the neutrals could be attributed to demoralization of their international trade and to their proximity to Germany and Russia.

Sterling depreciates as against U.S. $ in New York.

While Sterling was quoted between $3·98 and $4·00 in the New York free market during October, towards the end of the first week of November, sterling was again under pressure, falling to $3·77 (9th) in the New York market. Concern over the future of the pound in view of the expected large-scale purchases of war materials from the U. S. A. by Great Britain brought a steady though small flow of offerings but demand lagged far behind supply. There seemed to be a general belief that these purchases would have a depressing effect on sterling in the long run and those individuals and institutions who had held sterling balances were eager to convert them into dollars. It was observed in the New York market that British authorities had been selling American stocks which were acquired by them at the outbreak of the war when all foreign assets were mobilized. The proceeds of these sales were transferred to the account of the Bank of England at the Federal Reserve Bank, where they become available to pay for the goods bought by the British Government.

British authorities liquidating securities in New York.

Sterling weak in terms of European currencies.

French francs and exchanges of the neutral countries reflected the weakness of the pound. They were also adversely affected by disturbances in their economy arising from war-blockade as well as the sinking of their vessels. The currencies of the Far East also reflected this trend except that the Japanese yen severed its link with the pound and was attached to the dollar on the basis of $23\frac{7}{16}$ cents. per one yen. The heavy transfers of Japanese funds from sterling to dollars were held to be partially responsible for the pressure on the pound.

Sterling steadier.

Towards the end of the month, sterling though still under pressure showed a steady undertone as it was revealed that the British purchases did not reach the huge proportions anticipated earlier. It appeared that Great Britain would buy as much as possible from the Commonwealth overseas markets, confining her U. S. purchases to war supplies not obtainable elsewhere.

Throughout the last month of the year, sterling maintained this steady undertone and while the official rates remained unchanged, sterling was quoted around $3·95 in the New York free market.

Great Britain & France conclude financial agreement.

On the 12th of December, Great Britain and France concluded a financial agreement for complete collaboration in the matter of supplies and purchases abroad. As a result, the two countries became one economic unit in respect of monetary and financial relationship. With the resources in their empires at their disposal, they had become almost self-contained and their currencies independent of economic policies or currency-fluctuations elsewhere. Sterling was no longer under pressure

Sterling steady.

and remained steady till the end of the year. At the close of the year, sterling was quoted around $\$3·95\frac{7}{8}$ in the New York market. The official rates fixed by the British Control were as follows: Sterling/dollar rate between $4·02 and $4·04; Sterling/franc rate between 176 and 177 francs; Sterling/guilder rate between 7·52 and 7·58; and the sterling/belga rate between 23·90 and 24·15.

GOLD.

Gold opens steady.

The New Year saw a steady opening in gold, partly on good local demand and partly on weakness in the sterling/dollar cross-rate, which was quoted at 465.70 cents to the pound sterling. Spot gold opened at Rs.37-4-9 and firmed up to Rs.37-9-6 in the middle of the first week of January. The Reserve Bank of India continued its policy of large-scale purchases of gold, begun in October 1938. In spite of this aggressive buying by the Bank, there was considerable export business booked mainly to America. Firmer money rates were responsible for a comparatively wide premium on forward delivery (February settlement) which was quoted at 1¾ annas over spot. Stocks in the local market were estimated at 425,000 tolas, while arrivals from upcountry average about 30,000 tolas a day in the first four days of the new year, Bombay Mint having reopened after the Xmas holidays. The average offtake was about 1,500 tolas a day. Sovereigns were quoted between Rs.23-13-6 and Rs.23-14 but business was restricted owing to small supplies.

Reserve Bank continues purchases.

Large stocks on the market.

London price of metal improves.

In London, the price of gold improved from 149*s.* 5-1/2*d.* to a new high level of 150*s.* 5*d.* (4th) in consonance with the firmness of the dollar against sterling, but later declined to 150*s.* 1*d.* at the end of the week and gradually came down to 148*s.* 5-1/2*d.* in the middle of the month and remained thereabout till the end of January. The premium on gold over dollar export parity varied between nil and 1-1/2*d.* per oz.

Slight fall in price locally.

In the local market, spot gold declined to Rs.37-2-9 (7th) in sympathy with the sterling/dollar cross-rate. Following the announcement of unofficial restrictions in London on gold and foreign exchange there was a decline in the forward premium from 1¾ annas to 1¼ annas for gold to be delivered in February settlement, March settlement gold being quoted at 2½ annas over spot. The Reserve Bank of India purchased about 20,000 ounces during the second week of January. Floating stocks of gold were estimated at 300,000 tolas, while arrivals from upcountry declined to 10,000 tolas a day. There was practically no inquiry for sovereigns, which were quoted at Rs.23-12-6.

Large scale purchases of gold by Reserve Bank continue.

For the rest of the month, the only feature of the local market was the continued large-scale purchases of gold by the Reserve Bank of India, which absorbed nearly 160,000 ounces in the latter half of the month. Fluctuations in the price of gold were confined to narrow limits, spot gold being quoted between Rs.37-3-9 and Rs.37-1-9, February and March settlements being quoted at 6 pies and 1 anna 6 pies over spot respectively. Total gold purchases by the Reserve Bank during January were estimated at 325,000 ozs.

Fluctuations in gold narrow.

Gold continued to fluctuate in consonance with the sterling/dollar cross-rate in the following month. Prices were subject to small variations, spot gold ranging between Rs.37-0-9 and Rs.37-2-6 in the local market. The Reserve Bank of India

continued its large-scale purchases, absorbing about 220,000 ounces during February. Some export business was also reported, but the market remained featureless otherwise. The offtake remained unchanged at 1,500 tolas per day. The price of sovereigns ranged between Rs.23-11-3 and Rs.23-12-6 per piece.

In the London market, gold was quoted between 148*s*. 8-1/2*d*. and 148*s*. 3-1/2*d*., while the premium over the dollar arbitrage parity varied between 1/2*d*. and 1*d*. throughout February.

Gold declines.

In the last week of the month, however, spot gold declined to Rs.36-14-6 on some improvement in the sterling/dollar cross-rate, which rose from 468·78 to 469·22 cents. There was accelerated business in connection with export of gold, while the Reserve Bank of India purchases were almost negligible. Sovereigns came down to Rs.23-10-9 per coin.

Market stable.

There was little change in prices during March, spot gold ranging between Rs.36-14-9 and Rs.37-0-9, April and May settlement being quoted at a premium of half an anna and one anna over spot respectively. The price of sovereigns ranged between Rs. 23-10-3 and Rs.23-10-6 per coin. Reserve Bank purchases during March were estimated at 138,000 ozs.

In the London market, gold came down to 148*s*. 2*d*. in the opening week, but thereafter was quoted between 148*s*. 2-1/2*d*. and 148*s*. 6-1/2*d*. for the rest of the month, while the premium over dollar arbitrage parity varied between 1/2*d*. and 1*d*. throughout.

Little change in quotations.

The following quarter saw the continuation of the same trend in the gold market, prices being determined more or less by the same factor, namely the sterling/dollar cross-rate. In the local market, the price of spot gold ranged between Rs. 36-15-9 and Rs.37-1-3 throughout April except for a fall in the third week when it declined to Rs.36-15-3 on announcement of an increase in the war risk insurance rate. At that rate, no export business was booked as gold was above export parity. The Reserve Bank of India bought about 150,000 ounces during the month. Sovereigns were almost stationary between Rs. 23-10-6 and Rs.23-11-6. The offtake maintained its average of 1,500 tolas a day.

Gold pegged in London.

During April and May, gold in the London market was almost pegged around 148*s*. 6*d*., with variations of half a penny or a penny either way. There was no change in the premium on dollar arbitrage parity which stood between nothing and 1/2*d*.

In the local market, spot gold advanced from Rs.37 to Rs.37-2-3 in the middle of May on lower rupee/sterling exchange. June settlement gold was quoted at 3 pies over spot and gold to be delivered in July commanded a premium of 6 pies over June. The Reserve Bank of India bought approximately 52,000 ounces of gold during the month and considerable export was reported in the earlier weeks at the lower price.

Reserve Bank purchases available supplies.

Demand for export combined with continued purchases by the Reserve Bank of India helped to carry the price of spot gold to Rs.37-2-6 in early June. But thereafter, the price moved within the narrow range of Rs.37-1-3 and Rs.37-2-3. Lower interest rates and comparatively large purchases by the Reserve Bank of India were responsible for narrowing the premium on forward over spot. July settlement, after being quoted at 4½ pies over spot, stood at 1½ pies and later came to be on par with spot. August settlement was quoted at 3 pies over July. The purchases of the Reserve Bank of India totalled nearly 165,000 ounces during the month of June.

Prices steady.

In the London market, there was little change in the price of gold which stood at 148*s.* 5-1/2*d.* with variations in pennies and half-pennies, except when it touched 148*s.* 4*d.* in the second week of June.

Steady undertone continues.

During the whole of July and most of August, the gold market in Bombay exhibited a steady undertone, with fluctuations confined to a narrow range. Opening at Rs.37-2 on weakness in the rupee/sterling exchange, spot gold kept between Rs.37-1-6 and Rs.37-2-3, the lower rate reflecting the strengthening of the exchange in the middle of July. August settlement gold was quoted at level rates with spot, while gold to be delivered in September settlement, after being at par, stood at a discount of 1½ pies under spot for the first time during the year. There was a marked falling off in the Reserve Bank purchases which amounted to only 27,000 ounces during July. There was a lull in the export business also. The offtake remained constant at 1,500 tolas per day. On some upcountry demand, sovereigns improved from Rs.23-8-6 to Rs.23-10.

In the London market, gold was almost pegged at 148*s.* 6*d.* during most of this period, touching 148*s.* 7-1/2*d.* in the middle of August. The premium on dollar arbitrage parity, which had varied between nothing and ½*d.* was quoted between 1*d.* and 2*d.* at a later stage. But towards the close, the political situation in Europe had taken command of the markets. On the 25th of August, the Authorities decided to withdraw the support to sterling which started depreciating in terms of the dollar and the price of gold advanced to 150*s.* 6*d.* (25th), jumped up to 161*s.* (28th) and after declining to 157*s.*, again improved to 159*s.* The discount on gold under the New York shipping parity was said to be 3*d.*

Authorities in London withdraw support and gold price advances sharply.

Owing to speculative selling based on fears of war in Europe and in the absence of export demand because of an increase in the war risk insurance to New York, gold was marked down to Rs.36-9 (24th) in the local market. There was a slight recovery to Rs.37-1 on large scale purchases by the Reserve Bank and some small buying by arbitrageurs, but later the price eased off to Rs.36-14. September settlement was quoted at a premium of 1½ pies and October settlement at 7½ pies over spot. Following the announcement on the 24th that the Bank of England

War risk Insurance advances ; price of gold declines locally.

discount rate had been raised from 2 to 4 per cent., the premium between spot and October settlement widened to 1 anna, but later narrowed to 4½ pies on heavy speculative selling for forward delivery and purchases by the Reserve Bank of India for ready delivery. Stocks in the local market, which had gone up to 150,000 tolas, were reduced to 50,000 tolas. Arrivals from upcountry were estimated at 10,000 tolas a day, the daily offtake averaging 1,500 tolas. The Reserve Bank was reported to have bought about 72,000 ounces during August.

Small stocks.

Sharp advance in gold price.

The complete dislocation in the exchange market in the end of August led to wide fluctuations in the price of gold. In the local market, it registered a sharp rise of two rupees in conformity with the decline in the sterling/dollar cross-rate following the withdrawal of official support to sterling by the Exchange Equalisation Fund in England. From Rs.36-15-3 at the opening, spot gold advanced to Rs.39-4 on the same day and after a decline to Rs.38-4, firmed up again to Rs.39-4. Gold for September and October settlements was quoted at even rates with spot. Considerable export business was reported, mostly for American ports. Sovereigns improved from Rs.23-12 to Rs.24-12.

Bank of England fixes gold price.

In London, the usual gold fixing was effected on 1st September only. The market was closed from 2nd to 4th September and on the 5th, Defence Regulations were imposed which prohibited dealings in gold except through official channels. On the same day, the Bank of England announced its buying price of gold as 168*s*. per fine ounce at which level it has remained unchanged since then.

Prices soar high in local market.

In Bombay, the gold market remained closed from 4th to 7th as a precautionary measure in view of the sudden and sharp appreciation of the dollar in terms of sterling and the consequent advance in the price of gold. The price of spot gold had shot up from Rs.38-13 to Rs.41 (3rd) on the declaration of war on Germany. It was reported that business was unofficially done at even Rs.42.

Large arrivals attracted.

There was considerable bear-covering and large demand for hoarding purposes was also in evidence. The higher price was attracting gold arrivals from upcountry, which were estimated at about 30,000 tolas a day. The Bombay price of gold was well under New York, but there was considerable difficulty in shipping and the rates for war risk insurance were rapidly mounting up. Stocks of gold in the local market were reported to have amounted to 100,000 tolas, while the offtake averaged at 1,500 tolas a day. Sovereigns moved up to Rs.26 per piece from Rs.24-6 on good local demand.

Wide fluctuations in price.

When the market reopened on the 8th, spot gold was quoted at Rs.39-14, but gradually advanced to Rs.40-6 on good local demand for ready gold. Owing to speculative buying and bear-covering by option dealers, spot gold further advanced to Rs.41-5 (14th) and after a reaction to Rs.40-7 on the same day, touched Rs.42-4.

Forward business restricted.

Business in connection with forward delivery was small, with the result that October and November settlements, which had stood at par, were quoted at a discount of

½ anna under spot. The price of sovereigns further improved to Rs.27-12 from Rs.26-4.

Spot gold touches highest price on record.

In the middle of September, spot gold touched Rs.43-8, the peak price of the year, on a sharp depreciation in sterling in the free market in New York and on buying by option dealers. The market had become extremely sensitive and responded to the slightest pressure and even small deals caused wide fluctuations.

Sharp fall occurs.

In absence of any sizable buying, spot gold declined to Rs.40-14 and after recovering to Rs.42-5, slid down to Rs.41-6. October and November settlements were quoted on level rates with spot. There was a fair demand for sovereigns which rose Rs.28-0 (15th) from Rs.26-12.

Large arrivals of gold from upcountry.

At the end of September, however, the price of spot gold declined owing to comparatively large arrivals from upcountry. In a well supplied market, where there was little offtake either for export or for local consumption, the price of spot gold came down from Rs.41-4 to Rs.40-13 (23rd), but later some export inquiry pushed up the price to Rs.41-3. Gold for delivery in October and November settlements, after being at a discount of 1 anna, was quoted at par with spot. Sovereigns were comparatively neglected and were quoted between Rs.26-14 and Rs. 27. Total purchases by the Reserve Bank during September were estimated at 181,000 ounces.

Exports on large scale to New York.

In early October, spot gold declined to Rs.40-12-6 (5th) in sympathy with firmer rupee/sterling exchange. Good business for export to U.S.A. was reported and there was some buying for earmarking on account of purchasers abroad. But thereafter gold ruled steady and in the second week advanced to Rs.41-6-6 on active buying by arbitrageurs. November and December settlements were quoted at a discount of six pies under spot. Sovereigns were quoted at Rs.26-12 in absence of any interest in the coin.

Gold Exports decline ; wide fluctuations.

On large bear-covering, export demand and buying by option dealers, spot gold further advanced to Rs. 41-14 in the middle of October, but declined to Rs.41-4. Towards the end of the month, spot gold rose to Rs.41-9-6 (25th) on the announcement that the war risk insurance rates between Bombay and New York had declined sharply, but in absence of immediate sailings, export inquiry was negligible and the price came down to Rs.41-7-9. Gold for November and December settlements was quoted at 3 pies and 6 pies under spot respectively. Purchases by the Reserve Bank for their foreign correspondents during October totalled about 134,000 ounces.

Firm tone prevails.

In the first week of November, the gold market presented a firm tone on fair demand for export as well as on purchases by option dealers, spot gold advancing to Rs.41-12-6 (2nd). But in the middle of the second week, the price declined to Rs.41-8-6, later improving to Rs.42-2-9 (10th) due to the weakness of sterling. The improvement was also due to scarcity of supplies, because arrivals from upcountry had decreased on account of the approach of Divali Holidays. But the advance proved only temporary and in absence of buyers, spot gold came down to Rs.41-11-9

Advance proves temporary.

(17th). December settlement gold was quoted at a premium of three pies over spot while January delivery stood at a premium of 1 anna 3 pies over spot In the end of November, further reductions in the war risk insurance rates were announced and the price of spot gold, which had come down to Rs.41-10-9 (27th), advanced to Rs.41-15 on buying by arbitrageurs for export. Spot gold further rose to Rs.42-2-0 (30th) on news of the invasion of Finland by Russia and on fear of extension of the zone of conflict. The carrying of a comparatively large bull position coupled with speculative buying for forward was responsible for a widening of the premium between spot and January settlement from 1 anna 3 pies to 2 annas 6 pies, while gold for delivery during February settlement was quoted at a premium of 2 annas over January. Sovereigns improved from Rs.26-10 to Rs.26-13 in sympathy with the rise in the price of gold. Stocks in the local market were estimated at 300,000 tolas, while arrivals from up-country averaged between 12,000 and 15,000 tolas a day, with the daily offtake at 1,500 tolas. Purchases by the Reserve Bank of India for their foreign correspondents, believed to be the British Exchange Equalization Account, ceased to be a feature of the market after October. This was attributed to the rise in the local price over the export parity to London on the basis of the Bank of England's buying price of 168*s*. The licensing system of exports, however, enabled the Bank of England to acquire through the intermediary of the Reserve Bank of India, the dollar proceeds of the gold exported.

Price improves on change in war risk Insurance.

Stocks accumulate.

Price advances on improvement in $ rate.

In sympathy with lower sterling/dollar cross-rate in the New York market spot gold advanced to Rs.42-4-6 in early December, but trading was restricted as dealers were reluctant to enter into contracts for forward delivery. Later, the price of spot gold was marked down to Rs.41-12-3 (8th). January settlement gold was quoted at a premium of 3 to 4 annas, while gold to be delivered during February settlement commanded a premium of 3 annas over January.

Steady undertone continues.

In the latter half of December, the gold market exhibited a steady undertone, spot being quoted between Rs.41-12 and Rs.42. Fair business for export was reported. Sovereigns were quoted around Rs.26-12. At the close of the year, spot gold was quoted at Rs.41-14-6. January settlement gold was quoted at par with spot, whilst February settlement commanded a premium of 2 annas 3 pies over spot. Stocks of gold were estimated at 200,000 tolas, whilst arrivals from up-country averaged 10,000 tolas a day. The average daily offtake for trade purposes remained unchanged at 1,500 tolas.

Arrivals from up-country decline.

The following is the text of the communique issued by the Reserve Bank of India on 4th September regarding conditions for the issue of licence for the export of gold :—

" The Central Government have prohibited the import and export of gold coin, gold bullion and gold ingots (whether refined or unrefined) except under license from the Reserve Bank of India, and such licenses will be granted by the Bank to

approved banks and dealers who should make application to be registered as authorised dealers.

The Government of India does not desire at present to interfere with domestic dealings in gold. It is also the intention to issue licenses freely to authorised dealers for imports or exports of gold from or to the United Kingdom. In the case of exports of gold to the United Kingdom, in order to comply with the requirements of the exchange control in operation there, such exports must be consigned to the Bank of England (or to a dealer authorised by the Bank of England) and the Reserve Bank is prepared to make arrangements to facilitate such exports. Applications for licenses for exports of gold to, or imports from, other non-hostile countries will normally be granted subject to such conditions as may be prescribed in the terms of such licenses, *e.g.*, in the case of exports the exporters may be required to offer the foreign exchange proceeds thereof to the Reserve Bank against payment in rupees at rates to be intimated by them.

With a view to enabling the Reserve Bank to carry out the functions delegated to them by the Central Government under the above Notification authorised dealers will be required to submit to the nearest office of the Reserve Bank of India doing banking business weekly returns of the amounts of gold coin and bullion (other than gold ornaments) held by them, whether on their own account or on behalf of customers, and whether under advance or not. Such returns will be required to show the names of the parties for whose accounts the gold is held and details of the changes (purchases and sales, etc.), since the previous return. Every endeavour will be made to maintain the confidential character of the information furnished by these returns. Authorised dealers will be required to maintain such records of their holdings and transactions as will readily supply this information, and their books will be liable to inspection by the Controller of Enemy Trading under the powers conferred on him.

Any infraction of any of these conditions or any attempt to evade them will be punishable by removal from the list of approved dealers in addition to any other penalty which may be imposable by law."

Subsequently on October 13, the following communique referring to gold and foreign exchange was issued :—

"Authorised dealers are notified that on and from the 16th October the Reserve Bank will be prepared to purchase U.S. dollars from authorised dealers in India and Burma on the basis of the London Control buying rate for sterling/dollar exchange, and the Reserve Bank's buying rate for sterling less 1/8 per cent. commission.

This is intended to apply principally to the dollar proceeds of gold exports which, in future, will be surrendered to the Reserve Bank either 'ready' or on arrival of the gold in the U.S.A. and will not be available to meet local sales.

Shippers of gold will be required to surrender to the Reserve Bank through an authorised dealer in Foreign Exchange a minimum of 34 dollars in respect of each fine ounce of gold shipped, and the actual dollar amount offered to the Reserve Bank should be 'rounded off' to the nearest 1,000 dollars above the figure so arrived at. In respect of shipments of gold coin, the amount in dollars to be offered should be arrived at by an approximation of their fine gold content.

Payment will be made by the Reserve Bank in rupees calculated on the basis indicated in paragraph 1, the commission of 1/8 per cent. being deducted from the rupee proceeds.

Contracts will be for settlement three working days ahead in the case of 'ready' dollars but such working days shall be business days in both Bombay and New York and the date of payment so arrived at shall be a business day in London also. In the event of the date of payment calculated three business days ahead not being a business day in London, the contract shall be settled on the next day which is a business day in all the three centres.

For forward deliveries, the dollar/sterling rate will, until further notice, be the same as the ready rate (4·04 at the date of this letter) but the sterling rate will be the Reserve Bank's forward buying rate for the appropriate delivery.

In view of the settlement date being fixed three business days ahead the Reserve Bank will not insist on receiving an advice of payment of the dollars before paying out the rupee equivalent, but they reserve the right to vary this procedure should it be found to be necessary owing to cable delays. The dollars tendered to the Reserve Bank should be paid to the Federal Reserve Bank of New York, New York, for account of the Bank of England.

In future, all applications for licences to ship gold to the U.S.A. should be accompanied by a letter from an authorised dealer in Foreign Exchange offering the relative dollar proceeds to the Reserve Bank and stating the delivery date required which may be ready or forward at 'seller's option;' the letter should state the name of the New York paying agent.

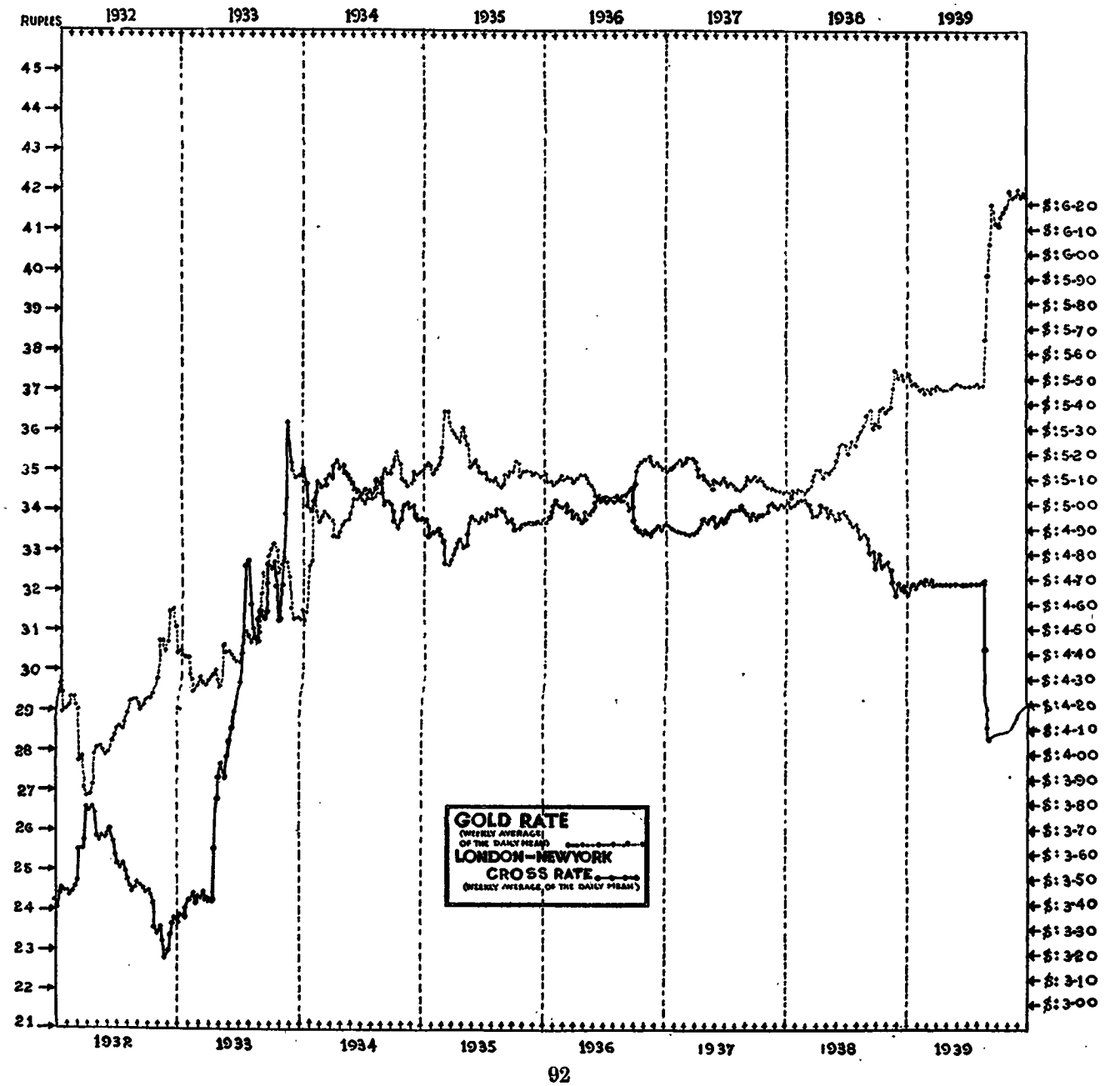
In the case of 'seller's option' contracts the day of settlement will be three business days ahead (calculated as in paragraph 5 above) from the date on which the option is exercised.

To meet the case of banks whose usual practice is to sell 'ready' dollars against gold purchased for shipment a few days ahead (in advance of obtaining the necessary particulars of bars, etc., for inclusion in the application for a gold export licence) the Reserve Bank will be prepared, by a prior standing arrangement to be made by each bank wishing to follow this procedure, to purchase the dollar proceeds in advance of the application for the licence to ship. In such cases the letter mentioned in paragraph 7 above should be forwarded to the Reserve Bank and should state (*i*) that the gold has already been purchased for shipment, (*ii*) the name of the ship and (*iii*) that the licence for export will be applied for in due course.

The Reserve Bank will also be prepared to purchase on the above basis dollars for 'ready' delivery which are not the proceeds of gold exports; such purchases will be made in minimum amounts of $ 25,000.

For the present, all the above facilities will be available at the Bombay and Calcuta offices of the Reserve Bank only and the dollar proceeds of all gold exported from India or Burma to the U.S.A. must be offered to one or other of these offices except in cases where a special permit has been obtained (*e.g.*, where the gold was held on behalf of a non-resident in India or Burma prior to the 3rd September 1939.)

N.B.—Authorised dealers may continue to obtain cover for their local sales of U.S. dollars in London with the prior permission of the Reserve Bank on form A8."



SILVER.

Market opens firm.

President Roosevelt's announcements on the New Year's Eve that U. S. Treasury's buying price of newly-mined domestic silver had been left unchanged at 64·64 cents per ounce until the end of June 1939 led to a sharp improvement in the price of silver both in Bombay and London. The price of foreign silver was quoted at 43 cents in the U. S. The local price for spot silver advanced sharply from Rs.51-2 to Rs.52-11 (3rd). There was heavy profit-taking at the higher level and the price slid down to Rs.52-3, January settlement being quoted at level rates with spot. Low stocks and comparatively large short position in the local market on arbitrage account were responsible for maintaining a backwardation in the market, silver for delivery in February settlement being quoted at 1½ anna under spot. But this was nothing compared to the London market where the backwardation widened to 15/16*d.* and later narrowed to 11/16*d.* Spot silver had shot up by 1-1/16*d.* on the first working day of the year to 21-1/8*d.* and forward by 1/2*d.* to 20-3/16*d.* these quotations establishing the highest cash price since April 1937 and the widest premium for cash since January 1923.

Wide backwardation in local market; also in London due to lack of ready supplies.

Rumours re: change in import duty become current.

Rumours regarding a reduction of import duty on silver in India and varying press reports about the future of U. S. silver policy led to wide fluctuations in the Bombay market during the rest of the month. Spot silver, which was quoted between Rs.51-12 and Rs.52-2-6 during the second week of January, advanced to Rs.52-12 (14th) but later dropped and kept oscillating between Rs.52 and Rs.52-6. The backwardation on February settlement widened from 1½ anna to 3 annas. Silver for delivery in March settlement, at one time, commanded a premium of 7 annas over spot, but subsequently came down on level with it and was quoted between 4½ and 5½ annas under spot towards the end of the month. Bear sales for March settlement and the anxiety of arbitrageurs and option dealers to carry forward their short positions were responsible for the wider backwardation.

Ready Silver commands premium.

Floating supplies small.

Silver in cold storage in Bombay, some of which could be tempted out by the higher price and higher money rates, was estimated at between 2,000 and 5,000 bars, while the floating stock was about 2,500 bars; the offtake was poor in the beginning, being 15 bars per day, but became brisker at 30 bars at the end of the month.

In London, spot silver was quoted between 20½*d.* and 20-1/16*d.* while the discount on two months' forward delivery kept consistently around 3/8*d.*

Market a little quiet.

During the first half of February, silver was inclined to be dull, spot silver maintained its price between Rs.52-6 and Rs.52-2-6; February settlement remained at about 1 anna under spot, while the backwardation between February and March stood at 2½ annas. There was an increase in the offtake to 40 bars a day. In

Premium on spot silver widens in London.

London, spot silver was quoted between 19-15/16*d.* and 20-3/16*d.* while the discount on forward delivery varied between 1/4*d.* and 3/8*d.*

In the latter half of the month, however, there was a firmer tone in the market when the price of the metal went up to 20-3/4*d.* and the premium on spot over forward delivery increased to 11/16*d.* There were correspondingly high prices in the local market which attracted upcountry silver, with the result that there was an increase of stocks, but the offtake had also gone up to 70 bars a day. Whereas, at the beginning of the year there were rumours about a decrease in the import duty, now on rumours about an increase in the import duty on silver at the forthcoming budget spot silver advanced to Rs.53. These rumours have become quite a usual feature of the market at this time of the year. The premium on spot silver over March settlement was at one time quoted at 12 annas, while silver to be delivered in April settlement was 3½ annas under March. In London also, the premium for cash widened to 15/16*d.* as a result of continued demand for extension or covering of maturing short sales.

Arrivals from upcountry increase.

Premium on spot silver widens.

No change in duty.

In the beginning of March, rumours of an increase in the import duty proved to be unfounded and the premium on spot over March settlement came down to one anna, ready silver being quoted between Rs.52-13 and Rs.52-8-6. Prices moved within a narrow range of Rs.52-8-6 and Rs.53-1-6 for the first three weeks of the month, but the fourth week proved to be the busiest since the beginning of the year. Price fluctuations were wide owing to varying reports of the European political situation. Spot silver opened at Rs.52-14, improved to Rs.52-15-6, but declined to Rs.52-7. Large-scale forward buying led to a narrowing of the backwardation, the discount on April settlement being quoted between 3½ annas and ½ anna under spot. The backwardation between April and May settlements closed at 1¼ anna after being 3½ annas at the opening. The end of March, however, saw a lull in the local market on relaxation in the political tension in Europe.

Wide fluctuations.

Narrow movements in London.

In London, the price of spot silver moved within a narrow range of 20-5/8*d.* and 19-15/16*d.*, the discount on forward delivery varying between 11/16*d.* and 3/16*d.*, keeping nearer the higher level for most of the month.

American silver purchase policy and its reactions on local market.

The quiet tone persisted in early April. Spot silver hovered between Rs.52-10 and Rs.52-8 in the local market, but later improved to Rs.52-15-6 (13th) on rumours of an increase in war risk insurance and reports about a revision in the American silver purchase policy. Prominence was given in particular to the evidence of the Chairman of the Board of Governors of the Federal Reserve System Mr. M. S. Eccles, given before the Senate Banking and Currency Sub-Committee, which was considering Senator Townsend's Bill for the discontinuation of both domestic and foreign silver purchases. Mr. Eccles told the Committee that from an economic and monetary standpoint there was no justification for continued purchase by the Federal Government of unlimited quantities of foreign

silver. He offered a compromise between the two extreme views in Congressional circles, one seeking continuance of the silver purchase programme and the other advocating its complete repeal by suggesting an embargo on imports from abroad and purchase of about 50 per cent. of the domestic silver at 50 cents per ounce. As a natural repercussion of above, the price eased a little but later firmed up to Rs.53-1-6 (27th). In the London market, there was a corresponding advance in spot silver to 20-3/16*d.* while the discount on forward widened to 3/16*d.* from 1/8*d.*

Steady tone maintained.

During May, silver maintained its steadiness in the local market as well as in London. Shipments from London kept up supplies and sustained the market prices in both places. Spot silver kept between Rs.52-15-6 and Rs.53-2-6 having once advanced to Rs.53-10 (8th) on large scale buying of call options. In London, the price of spot silver was maintained between 20*d.* and 20-5/16*d.*, discount on forward delivery being quoted around 3/16*d.*

Market eases slightly.

There was an easier tendency in the silver market during the first half of June. Opening at Rs.52-13-6, silver went down to Rs.52-11 at the end of the first week. June settlement silver was quoted at level rates with spot and July settlement silver stood at a discount of 1½ anna under June. Lacking Indian support, silver prices in London eased off to 19-15/16*d.* for cash and 19-3/4*d.* for forward delivery.

Market nervous owing to uncertainty re: American silver purchase policy.

Owing to the uncertainty about the future of the American silver purchase programme, there was nervousness in the market. Spot silver declined sharply to Rs.50-5-6 (21st); and in London, the price came down to 19*d.*, the lowest since September 1938. The powers under which the U. S. Treasury purchased newly-mined domestic silver at a premium over world price were to expire on June 30 and Senator Townsend argued for complete cessation of purchases of foreign silver during a debate on the Bill extending the administration's monetary powers. On 26th June, President Roosevelt's monetary powers received a setback when the Senate led by the "silver bloc," increased the Treasury price of domestically-mined silver to 77.57 cents, forbade the Treasury's purchase of foreign silver, and repealed the President's authority to devalue the dollar. Following the Senate's action, the Treasury reduced its price for foreign silver from 43 to 40 cents the next day and to 38·50 cents the day after and further to 38 cents two days later. Though the price of foreign silver had always been maintained on a day-to-day basis this was the first time since March 1938 that the price had been changed. This had a serious effect on the markets in Bombay and London. The local silver market was characterised by wide fluctuations and there was considerable activity during this crucial week. Opening at Rs.51-5-6, spot silver registered a steep fall to Rs.48-4 (29th), improving later to Rs.49-15-0. July settlement stood at a discount of 1 anna under spot, while the backwardation between July and August widened from 3 to 8 annas. The initial fall was due to successive declines in the U. S. Treasury's price for purchasing foreign silver and reports that the President's powers to purchase foreign

Local market active with prices tending lower.

silver would not be renewed. The market firmed up towards the end of the month on reports from Washington that the Joint Committee of the Senate and the House of Representatives had come to a compromise and agreed to extend the President's powers. But at the close, there was hesitancy in the market because of the uncertainty regarding the future of foreign silver purchase by the U.S. Treasury and the price at which such purchases, if any, would be made. Owing to the sharp decline in prices, there was considerable improvement in the offtake which totalled 270 bars during the last two days of the month.

Offtake increases.

Sharp decline in London.

In London, silver declined consistently from 19-7/16*d.* to 17-15/16*d.* (29th) for cash and 17-3/4*d.* for forward, which were the lowest quotations since October 1933.

American policy dominant factor.

Developments in America in connection with the Monetary Bill continued to dominate the markets throughout July, for, contrary to expectations, the U. S. Congress did not come to any decision on 30th June, because the Bill had been "talked out" at midnight due to "filibuster" tactics. Owing to intervening holidays, it was not till 5th July that the vote could be taken. Prices were subjected to further fluctuations during the interval. Opening at Rs.49-12, in the local market, spot silver touched Rs.50-6, but later came down to Rs.48-8 and then sharply declined to Rs.46-8 (6th). In London, the price of spot silver, after opening at 18*d.*, touched 18-3/16*d.* but declined to 17-7/16*d.* (6th), forward delivery being quoted at 17*d.* These were the lowest quotations recorded since 10th April 1933 and 20th February 1933 respectively.

America adopts day-to-day policy re: foreign purchases.

On July 5th, the U. S. Senate approved the Conference report directing the Government to pay 71.11 cents per ounce for domestic silver against the previous price of 64.64 cents; reference to the purchase of foreign silver was, however, omitted, leaving the Treasury free to continue buying the metal from Mexican and other sources. Mr. Morgenthau, the Secretary of the U. S. Treasury, made a cryptic announcement that "the Treasury will keep its price on day-to-day basis until we see what happens." In the absence of any clear indication of the U.S. purchasing price of foreign silver, which was being lowered day by day, London silver declined to 16-1/16*d.* (10th) for spot and 15-5/8*d.* for forward, the cash price representing the parity of about 33-13/16 cents. But at this stage, the U. S. Treasury, for the first time, failed to adjust their price to the full London fall, reducing it only to 35 cents at which, it has since remained unchanged. The London price improved to 16-13/16*d.* for spot and 16-1/4*d.* for forward on good Indian demand. In the local market, spot silver sank to Rs.44-7-6 (10th) after opening at Rs.47-8, but on the supposition that the American price may not be lowered further, there were some buying orders and the price improved to Rs.46-3-6 (13th). The premium on spot against August settlement widened to 14 annas from 2½ annas, low stocks of

Prices drop heavily.

Offtake increases.

imported silver and higher offtake being responsible for the increase. The backwardation between August and September widened to 8 annas from 3½ annas. The offtake had improved to 260 bars a day in the middle of July.

Fresh setback in prices.

Rumours that the U. S. Treasury would not purchase unlimited quantities of foreign silver even at 35 cents were responsible for a further decline of prices in the local market where spot silver touched Rs.45-7 (17th) and dropped in the end of July to Rs.44-11, on reports of fresh legislation to terminate the powers of the U. S. Treasury to purchase foreign silver. Silver for delivery during August, which was quoted at 8 annas under spot, stood at a discount of 4 annas; while the backwardation between August and September narrowed to 5½ annas in the last week of July. In London, the price declined to 16¾*d.* and touched 16½*d.* in the end of the month, while the premium on spot widened to $\frac{9}{16}d.$, later closing at $\frac{3}{8}d.$

Confidence gradually reviving.

There was little movement in silver prices during the early part of August, spot silver being quoted between Rs.44-10 and Rs.45-8-6 in the local market, while in London, it ranged between $16\frac{13}{16}d.$ and $16\frac{5}{8}d.$ With the adjournment of the U. S. Congress, confidence seemed to be returning and in the middle of the month, large scale purchases by option dealers and bear-covering maintained the price of spot silver between Rs.45-15-6 and Rs.46-14, while in London, except for a temporary rise to $17\frac{5}{16}d.$ it kept lingering around 17*d.* Indian demand was the main supporting factor. The last week of August, however, saw a return of intense activity and price fluctuations on growing tension in Europe, consequent upon German designs on Poland. Reactions of operators to the changing phases in the political atmosphere dominated the market which was sensitive to the core. From

Sharp advance in price.

Rs.46-0, the price of spot silver in India advanced sharply to Rs.51-12 (24th) and after reacting to Rs.50-3, firmed up to Rs.53-4 (25th). The London price shot up to $18\frac{7}{16}d.$ (22nd) from 17*d.* and after a slight set-back, advanced again to $20\frac{1}{16}d.$ (25th). At this stage, the Government of India started selling silver in the London market, payment being made on the basis of the London spot rate plus the Indian import duty and 3/4% for charges, whilst delivery of the metal was made in India. At $20\frac{1}{16}d.$, Indian buyers were satisfied and silver declined to Rs. 50-3 in the local market the same day. Reports regarding improvement in the political situation led to a further fall to Rs. 48-13, firming up, however, to Rs.51-0 at the end of the month. In London, spot silver steadily declined from 19½*d.* to $18\frac{7}{16}d.$ (31st).

War causes further sharp advance in rates.

By the beginning of September, World War II had already started and the price of silver soared high owing to lack of supplies, hurried bear-covering and hoarding demand. Spot silver shot up from Rs.49-14 to Rs.60-0 (3rd) in the local market. The Bombay Bullion market remained closed from 4th to 8th September to allow the abnormal situation to settle down a little. There was no fear of a shortage of supplies for Government of India's silver for delivery at the Bombay Mint was freely offered in London, where the price of spot silver rose sharply to

20⅝*d.* while forward delivery silver, after being at a discount varying between $\frac{3}{16}$*d.* and $\frac{1}{16}$*d.* was quoted on level rates with spot. This was incidentally the highest price of silver since April 1937, and it was the first time since November 10, 1937, that cash and forward quotations were at par.

Reaction sets in; Bombay Bullion Exchange fixes maximum prices.

In the middle of September, silver was inclined to be a shade quieter and the price, after fluctuating between Rs. 57-14 and Rs. 59-2, ranged between Rs.56-12 and Rs. 57-12 for spot, while October settlement was quoted at a discount of 4 annas under spot except when the price of Rs. 59-8 was touched, which was the maximum price fixed by the Bombay Bullion Exchange. But on firmer London advices, spot silver steadily rose to Rs.60-4 ; and a few days later touched the high level of Rs. 63-12 (21st). On the 20th, believing that the state of emergency had ceased to exist, the Bombay Bullion Exchange removed the maximum limit of Rs.59-8 for forward delivery silver, which led to a fair conversion of spot silver into forward with the result that spot stood at a discount of 4 to 6 annas under October and November settlement was quoted at a premium of 4 annas over October. The ban on trading for December was, however, retained. Stocks were estimated to have gone up to 10,000 bars on account of considerable release of silver from the Bombay Mint, while the average offtake improved to 200 bars a day.

December trading banned.

High price touched in London.

In London, silver registered another high record of 23½*d.* (20th) for cash, at which level it was readily available on account of the supplies made available by the Government of India. Owing to increased supplies coupled with the decline in the up-country offtake, the price dwindled down to Rs.60-3 for spot. Speculative interest, which did the bulk of the buying in the early days of September, was at a low ebb at the end of the month and the turnover remained small.

In London, spot silver came down to 23*d.* after remaining at 23½*d.* for a good many days and forward delivery silver after being at par with spot, was quoted at a discount of $\frac{1}{16}$*d.* A reaction had set in and there was a marked falling-off in demand so that the market yielded to even a moderate pressure.

Sharp decline in London.

In early October, prices declined sharply to 21¼*d.* (2nd) for spot and 21*d.* for forward. In sympathy with this, silver was inclined to be quiet in the local market, where it touched Rs.56-2 (4th). The decline was partly due to liquidation by weak bulls and partly to hedge selling by option dealers. Buyers were hesitant in face of persistent rumours about peace proposals. The average offtake had come down to 70 bars a day. In the middle of October, however, when in Bombay spot silver advanced to Rs.61-7 (13th), the London price again touched 23½*d.* Silver for forward delivery was quoted at a discount of ¼*d.* The markets were so sensitive that even moderate bear-covering or speculative demand was sufficient to push up the prices considerably. At the end of October, as a result of the Board of Trade's order requiring licences

Market sensitive.

to be obtained for future imports of silver into the U.K., there was a sharp rise to 21⅜*d.* (24th) for cash and forward went up to 23½*d.* In close sympathy with this, the Bombay price advanced to Rs.59-15 for spot, November settlement being quoted at a premium of 2 annas over spot, whilst December settlement commanded a premium of 4 annas over November.

Imports of Silver licensed in U. K.

In the beginning of November, the Government of India introduced restrictions, similar to those in the U.K., prohibiting the import of silver except under licence and the price of the metal improved to Rs.60-13-6. The market was given to understand that licences would be freely given for imports from the sterling area, but imports from other parts of the world were discouraged. Thereafter, there were fluctuations with an upward trend partly on brisk speculative buying and partly on increased demand believed to have been influenced by an advance in commodity prices. Spot silver was quoted between Rs.60-5-6 and Rs.62-12, both December and January settlements commanding a premium of 3 to 4 and 7 to 8 annas respectively over spot. In London, silver maintained its price range between 23½*d.* and 23$\frac{1}{16}$*d.*, the premium on forward delivery ranging between ⅜*d.* and $\frac{1}{16}$*d.*

Government of India impose similar restrictions.

Market highly speculative

The close of November saw another speculative bout well on its way, influenced mainly by three factors (*i*) the ban on imports which divorced the rupee price from the world price, (*ii*) the sharp increases in commodity prices such as cotton and jute, and (*iii*) the emergence of Russia as a belligerent in World War II. Spot silver shot up to Rs.64-13 establishing another high record, while the premium on January settlement widened to 12 annas because Indian buyers had been acquiring large stocks (estimated at 30,000 bars) in anticipation of an expansion in the up-country demand which seemed to be long in coming. In London, spot silver was quoted between 23$\frac{5}{16}$*d.* and 23½*d.*, while two months' forward delivery stood at a premium of ⅛*d.* The pace of purchases from the Government of India *via* London assumed such large proportions in the first week of December that the London brokers decided not to execute the orders unless they were made through the intermediary of or guaranteed by a first-class bank. This abrupt alteration in the terms of London brokers led to various rumours about the reluctance of the Government of India to sell any more silver for Bombay Mint delivery. On this, spot silver shot up to Rs.66-4 (1st), the peak price of the year, but opened at Rs.64 after the week-end, during which period the necessary credit arrangements had been made by the Indian operators. In the middle of the second week, silver sharply declined to Rs.59-4, while the premium on January settlement over spot widened almost to a rupee. But in the following week the price again advanced to Rs.63-2 (13th), while in London, spot silver remained stationary at 23½*d.*, two months' forward delivery being quoted at 23$\frac{11}{16}$*d.* On the 14th, it was announced that the sales of silver, hitherto handled by the London brokers, would in future be conducted in Bombay by the Manager of the Reserve Bank of India. Thus was removed a feature of the

Large stocks.

Indian orders in London unexecuted.

Temporary sharp rise in prices.

Reserve Bank handles Sales of Silver.

London market which had been prominent for some weeks. But what is more important, the London market lost its monopoly of handling Government of India's silver, a monopoly which had existed for generations. As the Reserve Bank was also a seller of standard Rupee silver (916/1,000 fine) the Bombay Bullion Exchange authorities passed a resolution on December 18, making such silver good for delivery against settlement contracts from May 1940 settlement. 916 silver was, however, made tenderable only at a discount of Rs. 2/4 per 100 tolas in the price. Unlike silver of 996 to 999 fineness payment for 916 silver was to be made for the fine weight and not for the gross weight. On the 18th, it was further announced that the Reserve Bank of India was prepared to entertain applications for licences to import silver from countries outside the sterling area and also supply foreign exchange to pay for such imports under certain conditions, one of these being that the licence holder must undertake to sell the imported silver at a price not below such a minimum or above such a maximum as may be fixed from time to time by the Reserve Bank of India. Spot silver, which had gone up to Rs.64-14 (16th), reacted to Rs.61-15(18th) on the news that the upper and lower limits were Rs.64 and Rs.62. Thereafter, the market became stabilized between Rs.61-14 and Rs.62-10. Some business for imports was booked in America where the price of silver went up to 36½ cents (21st) from 34¾ cents. In London, conditions were quiet and prices showed little movement, spot being quoted between 23⅛*d.* and 23½*d.* Towards the end of December, silver again came down to Rs.59-15(28th) in sympathy with a sharp decline in cotton and other commodities, but improved at the close to Rs. 60-8, while the London price of the metal declined by stages to 22½*d.* at the finish.

Licences for import of Silver granted.

Imports booked from America.

Market declines on heavy unloading.

The following is the full text of the Reserve Bank's circular on conditions governing licences for the import of silver :—

"In exercise of power conferred by the Government of India, Finance Department (Central Revenues) Notification No. 62, dated the 28th October 1939, the Reserve Bank of India is prepared to grant licences for the import of silver by sea or land into British India subject to the following conditions :—

(*i*) A licence holder must undertake to sell the imported silver at a price not below such minimum or above such maximum as may be fixed from time to time by the Reserve Bank of India ;

(*ii*) A licence holder must undertake to submit a true return of the cost of the silver as landed in India made up of the cost price, freight, insurance, other importation charges and interest on capital ;

(*iii*) (*a*) A licence holder must agree to pay to the Reserve Bank of India a proportion of the difference between his selling price and the import parity in the following proportion :—

The first eight annas of the difference and four annas out of the next eight annas out of the first rupee to be retained by the licence holder and four annas to be paid to the Bank.

Out of the second rupee four annas to be retained by the licence holder and twelve annas paid to the Bank.

Out of the third rupee two annas to be retained by the licence holder and fourteen annas to be paid to the Bank.

Out of the fourth and subsequent rupees one anna to be retained by the licence holder and fifteen annas to be paid to the Bank.

(*b*) Imports will be made entirely at the risk of the licence holder ;

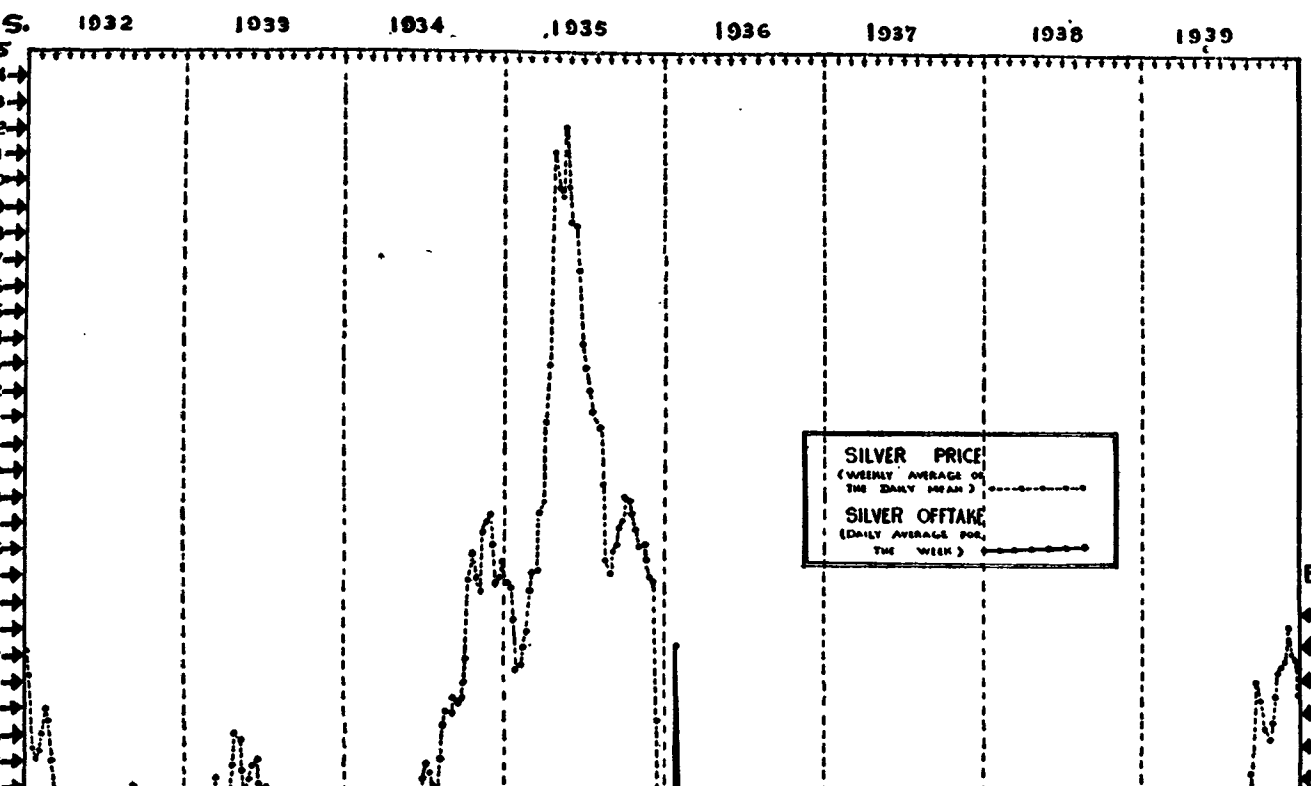
(*c*) The decision of the Manager, Reserve Bank of India, in regard to the estimated import parity will be final, for the purposes of determining the share to be paid to the Bank ;

(*iv*) Exchange in payment of the price of the imported silver must be done at the official control rates ;

(*v*) The amount to be paid to the Bank shall be deposited with the Manager of the Reserve Bank before a licence is actually issued.

(2) An applicant for a licence should first find out from the Manager, Reserve Bank of India, Bombay, the minimum rate at which he may sell and state the quantity for which he requires a licence. He will then be asked to sign the required undertaking and will be informed of the quantity for which a licence will be issued to him. A licence will not be issued for less then 100 bars. He will then proceed to fix up a selling contract on the basis of this information and should produce evidence to the satisfaction of the Manager that a genuine contract for the sale of that particular quantity of silver has been entered into. On his doing so and on his making the necessary deposit a license to cover the quantity sold will be issued to him.

(3) The conditions on which a licence will be granted are liable to be changed at any time at the discretion of the Reserve Bank of India."


1932
1933
1934
1935
1936
1937
1938
1939
SILVER PRICE
(WEEKLY AVERAGE OF THE DAILY MEAN)
SILVER OFFTAKE
(DAILY AVERAGE FOR THE WEEK)

SHARES.

European political situation causes uneasiness and prices tend lower.

The political situation in Europe towards the end of 1938 had been causing anxiety and as a result the price trend on the local stock market was downward. The new year witnessed no change in the situation and prices declined further in all sections, steels being the outstanding scrip of attack. Tata Deferreds declined from Rs.1,525 to Rs.1,460 (6th) and Ordinaries from Rs.318 to Rs.306. Cotton mill shares were easy in sympathy and it was reported that the offtake of local manufactured cloth was gradually declining. Bombay Dyeings dropped from Rs.880 to Rs.865 in the first week of the month, and there was a proportionate drop in all other issues. In the miscellaneous group of shares, price movements were comparatively narrow, Bombay Burmas ranging between Rs.484 and Rs.494, while Associated Cements were steady around Rs.112-8 on reports of decreased competition in the industry.

Public utilities steady.

Fixed interest bearing scrips and public utilities, on the other hand, were fairly well maintained. Bombay Trams were steady around Rs.120-8, Andhra Valleys at about Rs.1,405 and Tata Hydros at Rs.151. Amongst Bank shares, Bank of Indias were almost static at Rs.148 and Central Banks at Rs.30-3. Imperial Bank Fully Paids were quoted at Rs.1,575 and Reserve Banks at Rs.115-4 throughout. Railway shares showed little or no change and bargains in this group were negligible.

Market develops weakness.

During the remainder of January and in early February, the market developed further weakness on adverse foreign political news, also on unconfirmed rumours of price reduction by the Tata Iron & Steel Co. of its products and of the additional issue of capital by the Company to the extent of Rs.2 crores. Rumours like this, specially on a vulnerable market, created great uneasiness among dealers as well as investors and as a consequence, prices broke sharply alround. Tata Ordinaries

Sharp fall in Steel Shares.

dropped precipitately from Rs.311 to Rs.242 and Deferreds from Rs.1,475 to Rs.1,050 by the end of January. Textile shares, which were inclined to be a little steadier, also fell in sympathy; Bombay Dyeings, which had improved from Rs.865 to Rs.885 (12th), declined to Rs.845 (30th) and Centuries, after moving up from Rs.236 to Rs.244, dropped to Rs.226. Kohinoors, after gaining over 10 points to Rs.266-8, reacted to Rs.251, while New Greats after advancing from Rs.211-8 to Rs.222-8, finished at Rs.214. Even the Hydro-electric shares fell in sympathy with the general trend of the market. Furthermore, the market was full of rumours regarding

Public utilities decline.

impending taxation on public utilities. Andhra Valleys declined from Rs.1,400 to Rs.1,325 (9th), Tata Hydros from Rs.150 to Rs.142-8 and Bombay Trams from Rs.122-8 to Rs.119-8. Bank and Railway shares, though steady for most part, declined later in sympathy with gilt-edged. Bank of Indias dropped from Rs.148 to Rs.144-8 and Imperial Bank Fully Paids from Rs.1,575 to Rs.1,510.

Associated Cements firm.

In the miscellaneous group, Associated Cements ruled firm moving up from Rs.107-8 to Rs.120-8 (28th) on bear-covering and investment inquiry, but declined later to Rs.113 (9th). Other scrips also were all easier, Bombay Burmas falling from Rs.494 to Rs.426 and Belapurs from Rs.187-8 to Rs.169.

Temporary advance in rates.

After such a sharp fall, the market was naturally nervous regarding the settlement of accounts for February, but nothing untoward happened. The market thereafter staged a recovery which, however, proved temporary since there were still some weak holders about, and distress selling ensued. Tata Deferreds, after advancing from Rs.1,050 to Rs.1,130, dropped to Rs.1,020 (16th), while Ordinaries, after touching Rs.255, fell to Rs.239. Cotton mill shares moved in sympathy, but the turnover in this section was relatively small.

Hydro-electrics firmer.

Hydro-electric shares, on the other hand, firmed following recovery in gilt-edged, Andhra Valleys advancing from Rs.1,325 to Rs.1,405 (18th), Tata Powers from Rs.1,202-8 to Rs.1,265 and Tata Hydros from Rs.142 to Rs.146-6. Bombay Trams were well maintained around Rs.120-8. Bank shares also showed a slight recovery, but business in this group was restricted.

Market well liquidated; prices recover.

The market appeared to be fairly well liquidated at this stage; furthermore, the stock exchange authorities warned the members asking them to refrain from jobbing on large-scale. This improved the morale of the market and prices advanced all-round from mid-February. Tata Iron & Steel Ordinaries recovered from Rs.239 to Rs.266 and Deferreds from Rs.1,020 to Rs.1,205 (28th). Cotton mill shares also improved in sympathy, Bombay Dyeings to Rs.845, Kohinoors to Rs.255, Centuries to Rs.225 and New Greats to Rs.215. Hydro-electric shares advanced too, Andhra Valleys to Rs.1,400, Tata Powers to Rs.1,275 and Tata Hydros to Rs.149-8. Bombay Tram shares were in constant demand, the price advancing from about Rs.120 to Rs.128-12. Miscellaneous shares such as Belapurs and Bombay Burmas also improved, the former to Rs.172 and the latter to Rs.439.

Tension Increases in Europe; Prices fall again.

The impending Budget of the Central Government had also exercised a restraining influence on trading in the stock market and this being out of way, confidence appeared to be reviving in the beginning of March. Unsettled European political situation towards the middle of March, however, caused renewed uneasiness and prices once again tumbled. Tata Ordinaries fell to Rs.240 and Deferreds to Rs.1,035 (18th). Cotton mill shares also declined sympathetically, Bombay Dyeings to Rs.830, Centuries to Rs.212, Kohinoors to Rs.227 and New Greats to Rs.210. In the miscellaneous group also, there was an all-round drop in rates, Belapurs falling to Rs.173 and Bombay Burmas to Rs.426-8. Associated Cements were weak on long liquidation, being quoted at Rs.110 (18th). Hydro-electric shares also suffered a setback, Andhra Valleys and Tata Powers each losing about 15 points. Tata Hydros fell by two rupees, while Bombay Trams were maintained around Rs.126.

Erratic fluctuations.

During the latter half of March, European political situation dominated the local stock market with erratic price movements. Tata Deferreds ranged between Rs.1,072-8 and Rs.1,172-8 and Ordinaries between Rs.240 and Rs.254-8. Cotton mill shares were further affected by the publication of the draft Indo-British Trade Agreement, which revealed proposals of concessions in duty on imports of cotton piecegoods from Lancashire. Bombay Dyeings declined to Rs.815 (22nd), Centuries to Rs.212, Kohinoors to Rs.220 and New Greats to Rs.198. Hydro-electrics eased following a decline in gilt-edged, Tata Powers dropping to Rs.1,245, Andhra Valleys to Rs.1,392-8 and Tata Hydros to Rs.146. Bank shares also fell in sympathy, Bank of Indias to Rs.134-8, Central Banks to Rs.30-12 and Imperial Bank Fully Paids to Rs.1,517-8.

European situation improves and prices advance.

Under the influence of comparatively calmer European political situation, the stock market showed signs of recovery early in April. At this juncture, the Tata Iron & Steel Company announced suspension of booking of fresh orders and the two factors combined had a healthy effect on the market quotations. Tata Deferreds moved up to Rs.1,217-8 (6th) and Ordinaries to Rs.262-8. Prices of mill shares also improved in sympathy, but the industry suffered from the handicap of increased duty on imported cotton from ½ to 1 anna per lb. imposed in the Budget and the proposals of reduction in duty on imported piecegoods from Lancashire under the Indo-British Trade Agreement.

Price movements narrow.

Throughout April, price movements were comparatively narrow and trading restricted owing to uncertainty regarding the future of European politics. In the last week, however, there was again a sharp break in quotations following discouraging advices regarding the outlook of trade from the U.S.A. The cotton mill group was further depressed on reports that the U. S. Government were contemplating export of loan and other cotton to the extent of about 7 million bales by granting a subsidy of 2 cents per lb. This was adverse both to Indian industry and the Indian cotton grower; to the former through unhealthy foreign competition and to the latter by placing Indian raw cotton at a disadvantage as against American cotton in world markets. Cotton mill shares in the local market declined further, Bombay Dyeings touching the low level of Rs.730 (27th), Centuries Rs.193, Kohinoors Rs.198 and New Greats Rs.168. Steel shares dropped in sympathy, Tata Deferreds to Rs.1,135 and Ordinaries to Rs.248-8. Hydro-electrics also declined in the wake of the general trend of the market and following a drop in the gilt-edged. Tata Powers dropped to Rs.1,200, Andhra Valleys to Rs.1,355 and Tata Hydros to Rs.144-8. In the miscellaneous group, Bombay Burmas declined to Rs.416 and Belapurs to Rs.171. Associated Cements, on the other hand, were steady around Rs.118-12.

Cotton Mill section depressed.

Shortage of Steel supplies abroad cause sharp rise in rates.

The political situation in Europe was ostensibly getting easier and advices from abroad indicated a shortage of supplies and a broadening domestic market for steel products. As a consequence, prices in the local market showed a rising tendency

and throughout May and upto almost the middle of June, there was a continuous rise in quotations. Tata Deferreds, which were quoted at Rs.1,135 towards the end of April, had advanced to Rs.1,440 by the first week of June, while Ordinaries during the same period recorded a rise of over 50 points to Rs. 299. Cotton mill shares also showed a corresponding improvement and the market was more active in this group. Bombay Dyeings recovered from the low level of Rs.730 to Rs.785 and Centuries from Rs.193 to Rs.221. Kohinoors improved from Rs.200 to Rs.233 and New Greats from Rs.168 to Rs.201.

Hydro-electrics advance sharply.

Hydro-electric shares also advanced sharply during this period, Andhra Valleys reaching Rs. 1,470, Tata Powers Rs.1,315 and Tata Hydros Rs.153-8. Bombay Trams continued to be in demand, the price advancing to Rs.130. Bank shares were firmer in line with the gilt-edged, Bank of Indias moving up to Rs.144-8, Central Banks to Rs.34-6 and Imperial Bank Fully Paids to Rs.1,550. In the miscellaneous section, Associated Cements were strong on reports of a fusion of cement interests in the country with a view to eliminate unhealthy competition in the industry and the price of the shares touched Rs.138-4. Bombay Burmas advanced along with the rest of the market, the price outstripping the Rs.500 level, while Belapurs rose over Rs.180.

Political situation deteriorates again.

By the middle of June, political situation in the Far East as well as in Central Europe once again deteriorated and traders on the local stock market became more cautious. Public preferred to wait and see while professional dealers restricted their volume of business. There was a slight setback in prices which was only natural after six weeks of continuous rise. Tata Deferreds declined by about 100 points to

Prices fall.

Rs.1,352-8 and Ordinaries by about 15 points to Rs.285. Cotton mill shares and in fact the whole market was quieter in sympathy.

In the last week, the political situation grew worse and affected adversely values of all classes of shares. Steel shares fell rather sharply, Deferreds from Rs.1,410

Further drop in rates.

to Rs.1,320 (30th) and Ordinaries from Rs.292 to Rs.275. Textiles also sustained a sympathetic fall, but the turnover in this group was restricted. Bombay Dyeings declined from Rs.770 to Rs.737-8 and Centuries from Rs.216 to Rs.204, while Kohinoors moved down from Rs.224 to Rs.215 and New Greats from Rs.195 to Rs.183. Hydro-electrics eased following gilt-edged, Andhra Valleys declining to Rs.1,430, Tata Powers to Rs.1,255 and Tata Hydros to Rs.150. Miscellaneous industrials were all quieter, Bombay Burmas falling to Rs.480, Belapurs to Rs.177 and Associated Cements to Rs.128.

Export subsidy on Cotton granted by U. S. Govt., Cotton Mill Shares decline.

Throughout July, the local market moved within a comparatively narrow range of prices and the trading remained hesitant and restricted owing to uncertain European political situation. In the last week, the U. S. Treasury announced the grant of an export subsidy of 1½ cents per lb. of cotton and 1 to 2·10 cents per lb.

of cotton manufactures. As a consequence, cotton mill shares ruled weak, Bombay Dyeings declining to Rs.705 (25th), Centuries to Rs. 192, New Greats to Rs.168 and Kohinoors to Rs.208. Steel shares fell in sympathy, Tata Deferreds to Rs.1,297-8 and Ordinaries to Rs.272-8.

Market inactive and marking time.

War looked imminent.

During the first fortnight of August, the market once again lapsed into inactivity and price movements were narrow. In the third week, a European war looked imminent and there was a growing feeling that in the event of the outbreak of hostilities, indigenous industries should benefit, which caused a bout of buying of all industrial shares, particularly textiles and steels. Bears also thought it prudent to cover their open positions and this led to a general recovery in prices. Tata Iron and Steel Deferreds advanced by about 100 points to Rs.1,377-8 and Ordinaries by about 16 points to Rs.287-8 towards the end of the month. Cotton mill shares came to the fore, Bombay Dyeings advancing from about Rs.700 to Rs.740 and Centuries from Rs.189 to Rs.213 at the close of the month. Bank and utility shares, on the other hand, following the trend of gilt-edged, weakened, Bank of Indias falling to Rs. 136, Central Banks to Rs.31-12 and Imperial Bank Fully Paids to Rs. 1,495. Among Hydro-electrics, Andhra Valleys declined to Rs.1,435, Tata Powers to Rs.1,268-12, Tata Hydros to Rs.151-8 and Bombay Trams to Rs.125-8. In the miscellaneous group, Bombay Burmas improved to Rs.474, Belapurs to Rs.177-8 and Scindias to Rs.18-11 from Rs.17; Associated Cements, on the other hand, declined gradually to Rs.117-4 on unloading of recent accumulation following reports that negotiations for the fusion of cement interests which had been afoot for some time were being dropped.

Bears cover and prices advance all-round.

War declared; trading in local market hectic.

On the 1st of September, German troops marched into Poland and in fulfilment of their pledge to Poland to come to its aid in case of German invasion, France and Great Britain declared war on Germany on the 3rd September. Influenced by war news, the local stock market witnessed hectic trading and violent price fluctuations. There were numerous buyers for all classes of industrials in the hope of improved prospects for indigenous industries owing to difficulty of importing foreign manufactures.

Sharp rise in Steels and other industrials.

Steel shares were in prominence once again and recorded sharp rise in a brisk turnover. Tata Deferreds advanced by about 450 points to Rs.1,875 (15th), while Ordinaries recorded a perpendicular rise of about 70 points to Rs.366. Cotton mill shares also participated fully in the rise; Bombay Dyeings advanced by as much as 270 points to Rs.1,020, while Centuries gained almost 100 points to Rs.310. Kohinoors touched Rs.340 and New Greats moved up from Rs.187 to Rs.279. In the miscellaneous section, Associated Cements shot up to Rs.140, whereas Belapurs recorded a gain of 48 points to Rs.225. Bombay Burmas were done up to Rs.600 and Scindias improved from about Rs.18-8 to Rs.23-8.

Public utilities and Banks decline.

Fixed interest bearing shares, on the other hand, all declined sharply in sympathy with the gilt-edged. Among Hydro-electrics, Andhra Valleys fell from Rs.1,435 to Rs. 1,350 (8th), Tata Powers from Rs. 1,268 to Rs. 1,180 (4th) and Tata Hydros from Rs.150 to Rs.136. Bombay Trams dropped about 10 points to Rs.115. Amongst Banks, Bank of Indians declined to Rs.118-8(9th), Central Banks to Rs.26, Imperial Bank Fully Paids to Rs.1,310 and Reserve Banks to Rs.93. New India Assurance dropped from Rs. 36 to Rs. 28-8.

Erratic movements.

The market was characterised by erratic movements throughout September with a large turnover in all sections. The invasion of Poland by Russia in the third week caused a temporary setback in rates, but towards the end of the month, the market looked like consolidating the recent big rise.

Market reactionary and prices decline.

During the first two weeks of October, the market remained comparatively dull, pending clarification of Britain's war aims towards India's future political status. Furthermore, the Russo-German peace offensive served as a check on any further advance in prices and traders were inclined to be more cautious. The Viceroy's announcement in the third week on India's political future did not satisfy the aspirations of Indian politicians, which caused nervousness among the operators towards the latter part of the week and a break in prices ensued. Tata Deferreds dropped from Rs.1,875 to Rs.1,637-8 XD (Dividend being Rs.93-10-5) and Tata Ordinaries from Rs.366 to Rs.333XD (Dividend being Rs.18). Cotton mill shares shared the same fate, Bombay Dyeings falling to Rs.856-4, Centuries to Rs.249 and Kohinoors to Rs.292. In the miscellaneous group, Associated Cements declined to Rs.129-12, while Belapurs lost over 15 points to Rs.197-8. Bombay Burmas fell from Rs.600 to Rs.506-4 and Scindias from Rs.23-8 to Rs.21-10. Hydro-electrics, Banks and Railways were, on the other hand, well maintained and even inclined to be firmer.

Market well liquidated; buoyant tone prevails.

The market appeared to be well liquidated at this juncture and was set for a rise on any favourable news. In the beginning of November, the jute market in Calcutta assumed a buoyant tone as a result of large Government orders for gunny bags and hessians.

Sharp advance in rates.

The local market, taking a lead from Calcutta, once again assumed a buoyant tone and there was a sharp advance in prices in all sections. The market, however, experienced a slight reaction at the higher levels prior to closing for Divali holidays. Tata Deferreds, after advancing from Rs.1,642-8 to Rs.1,890, reacted to Rs.1,860 and Ordinaries, after touching Rs.377, reacted to Rs.371-8. Cotton mill shares followed in the wake of steels, Bombay Dyeings moving up to Rs.957-8, Centuries to Rs.299, Kohinoors to Rs.332 and New Greats to Rs.308. In the miscellaneous section, Bombay Burmas lacked enthusiasm pending declaration of the dividend, the quotation remaining in the vicinity of Rs.538-12. Belapurs, on the other hand,

firmed to Rs.226-8 and Scindias to Rs.23-6. Hydro-electrics and Banks maintained a steady tone in sympathy with gilt-edged, which despite the war, met with occasional investment demand.

Bullish sentiment prevails.

The market opened steady after the Divali Holidays and following a substantial rise in prices of all prime commodities after mid-November, the quotations in the local market also advanced in all sections. The bullish tone and hectic activity continued upto the end of the first week of December when a reaction set in following a slip back of commodity prices both in the Calcutta and Bombay markets. In the steel group, Tata Deferreds advanced to Rs.2,220, being the record high price since April 1937 when the level of Rs.2,280 was reached. Tata Ordinaries moved up to Rs.423. Among cotton mills, Bombay Dyeings were quoted over Rs.1,200, while Centuries were well above Rs.400. New Greats witnessed a spectacular rise to Rs.510 and Kohinoors reached Rs.436. Hydro-electrics were firm on reports of larger demand for consumption of electrical energy by the cotton mill industry. Andhra Valleys touched Rs.1,510, Tata Powers Rs.1,390 and Tata Hydros Rs.161.

Bombay Burmas reach high levels.

In the miscellaneous group, Bombay Burmas had regained their former popularity as a speculative counter and were bid up to Rs.735. Belapurs touched the high record level of Rs. 288 (5th), while Scindias gained to Rs. 27-12. Bank and Railways shares were also in better inquiry, Imperial Bank Fully Paids advancing to Rs.1,472-8 and Bank of Indias to Rs.135. At the higher levels, there was a natural

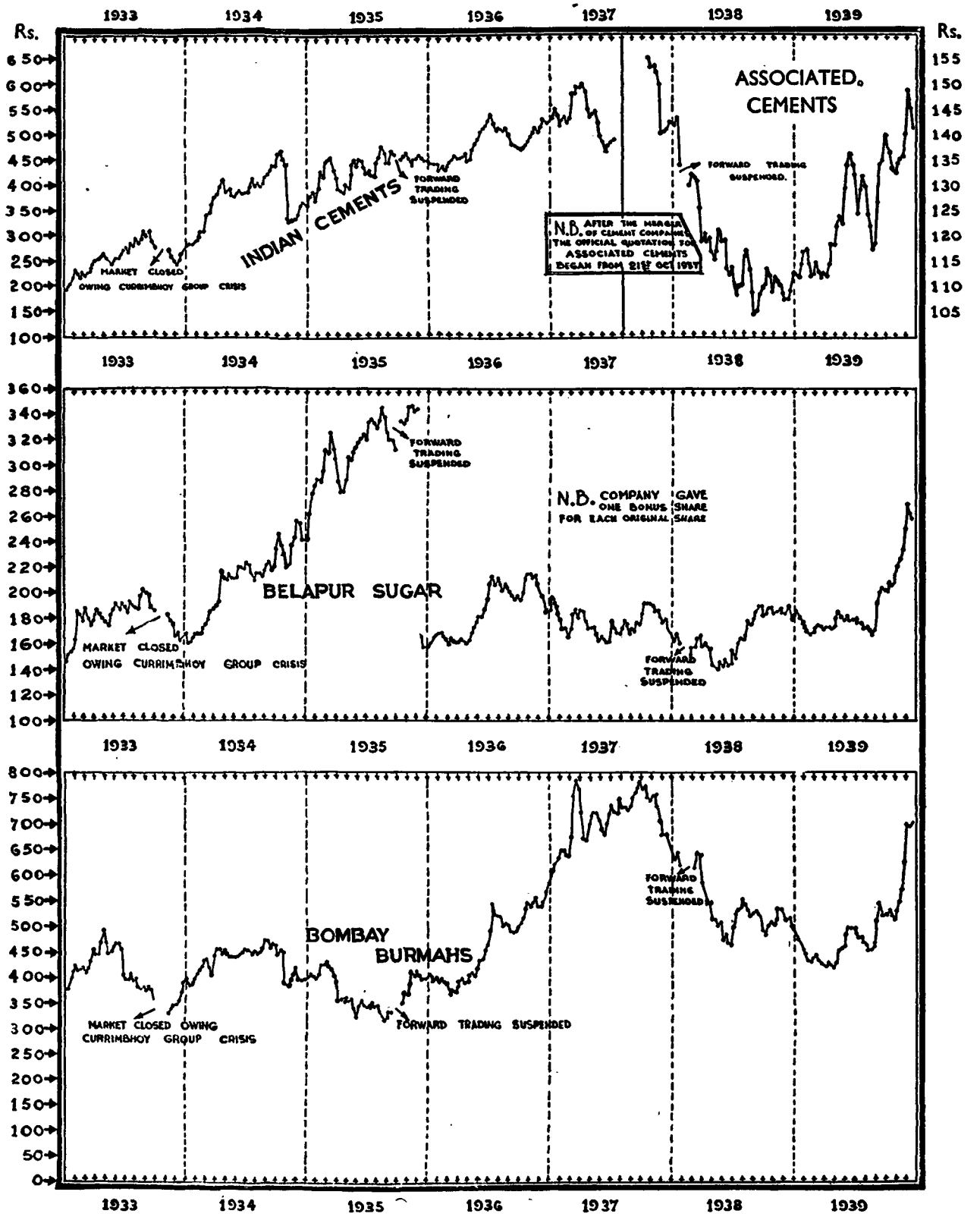
Reaction follows.

reaction but the undertone was fully firm as holders were unwilling to part with scrips and were watching for opportunity to rebuy. Prices once again recovered sharply in the third week of December touching the high records reached in the first week, in almost all scrips. There was, however, a slight profit-taking before the market closed on the 23rd for the Christmas vacation.

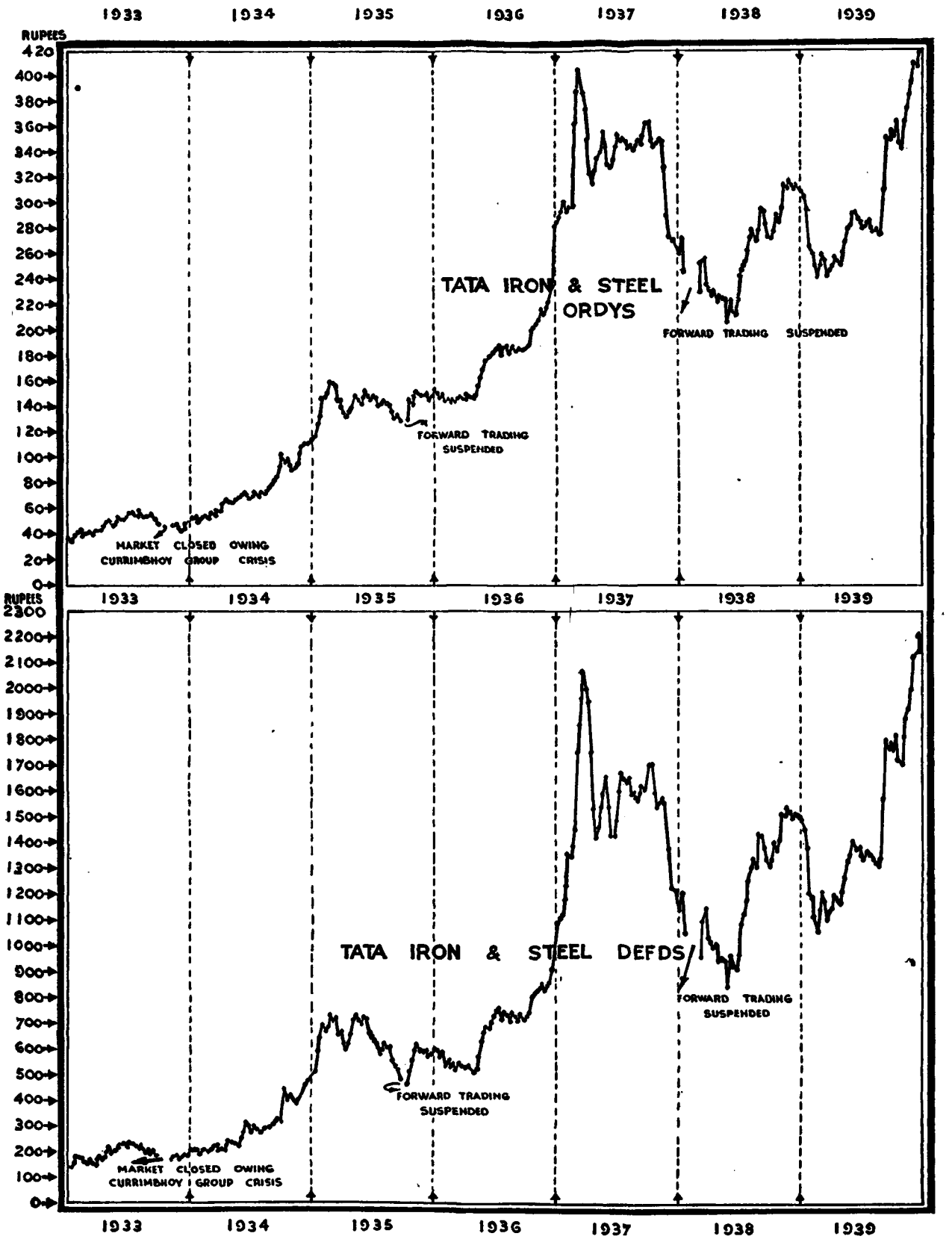
Steels and other industrials touch record high levels.

Tata Iron & Steel Deferreds advanced to Rs.2,255(19th) and Ordinaries to Rs. 426, but closed for the year at Rs.2,212-8 and Rs.415-8 respectively. Mill shares were relatively easier, Bombay Dyeings closing at Rs.1,130, Centuries at Rs.413-8, Kohinoors at Rs.450 and New Greats at Rs.462. Hydro-electric shares were well maintained, Andhra Valleys closing at Rs.1,490, Tata Powers at Rs.1,376-4, Tata Hydros at Rs.155-8 and Bombay Trams at Rs.131-8. In the miscellaneous section, prices of almost all scrips finished well below the highest of the year, Belapurs at Rs.258 as compared with the high of Rs.288 ; Bombay Burmas at Rs.686-4 as against the high of Rs.735. Associated Cements declined from Rs.154 to Rs.138 at the end. Bank and Railway shares, on the other hand, ruled quite steady.

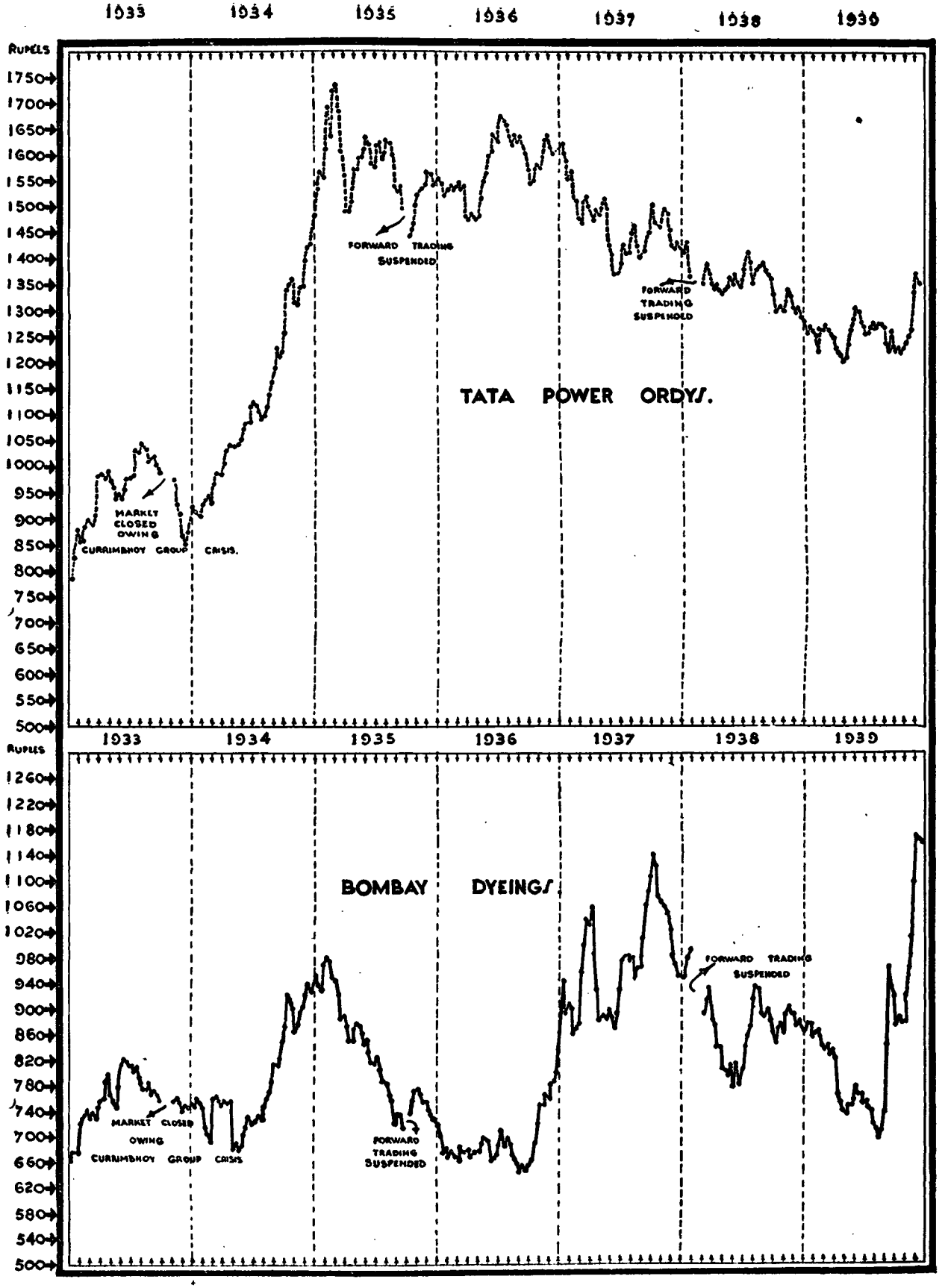
Market closed easier.



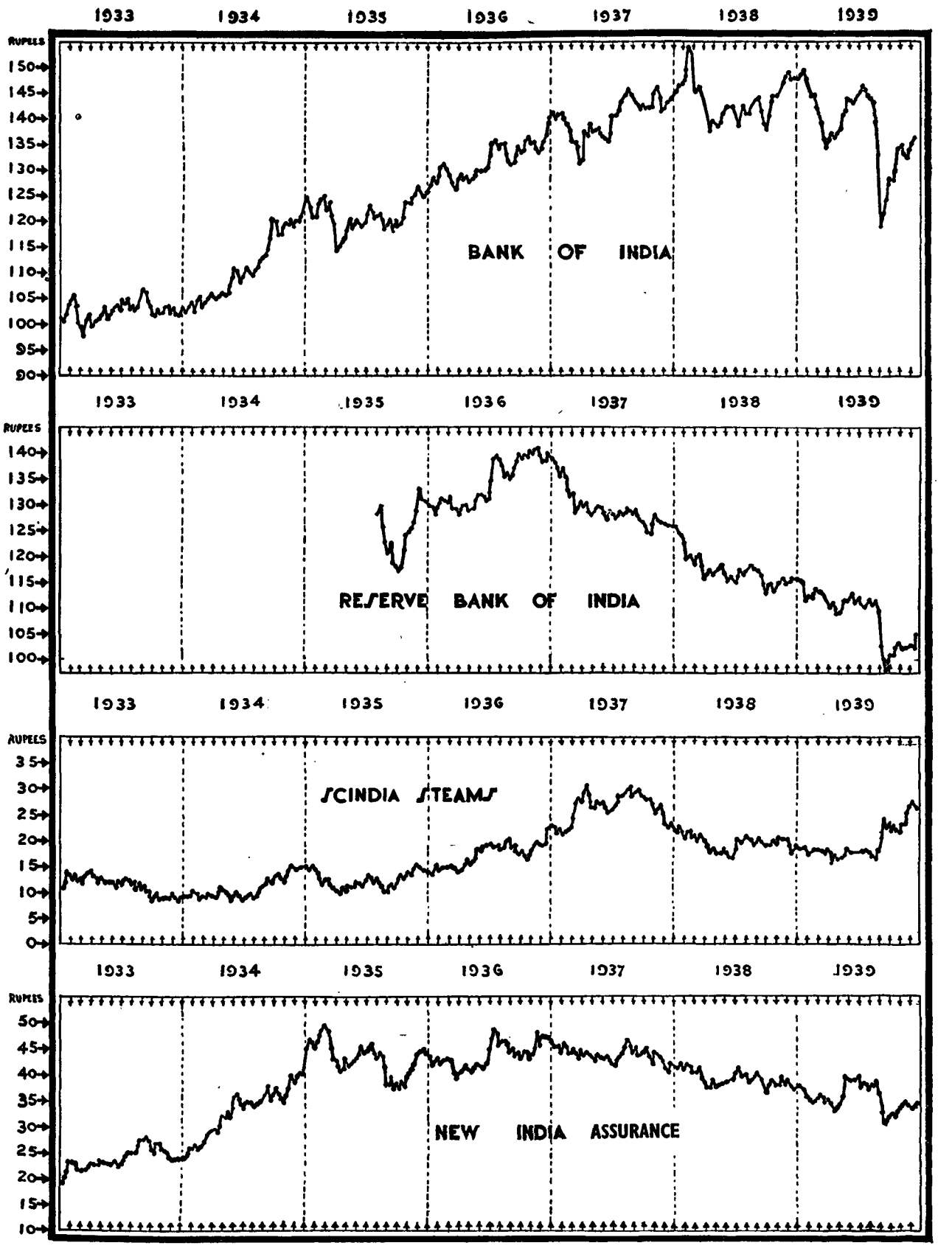
N.B.—(1) Belapur Company's shares were quoted on the official cash list from December 1, 1932 and on the forward list from September 1933.
(2) Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1933 (Currimbhoy group crisis), between September 15 and October 14, 1935 and between January 24 and March 3, 1938.
In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.



N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of scrip.
Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1933 (Currimbhoy group crisis), between September 15 and October 14, 1935 and between January 24 and March 3, 1938.



N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of scrip.
Trading in scrips quoted on the forward list was suspended between September 25, and November 11, 1938 (Currimbhoy group crisis), between September 15 and October 14, 1935 and between January 24 and March 3, 1938.



N.B.—In the above charts each line represents variations in the weekly averages of the daily mean price of the scrip.

STATISTICS.

One lakh =	100,000
Ten lakhs=	1,000,000
One crore =	10,000,000
8 Tolas =	3 Ounces.

EXCHANGE VARIATIONS IN 1939.

Highest and lowest market selling quotations of Spot T.T. on London.

Months.	Highest.	Lowest.	Average.
January ..	1s. 5-29/32d. ..	1s. 5-29/32d. ..	17·90625d.
February ..	1s. 5-59/64d. ..	1s. 5-29/32d. ..	17·90980d.
March ..	1s. 5-31/32d. ..	1s. 5-59/64d. ..	17·94293d.
April ..	1s. 5-31/32d. ..	1s. 5-29/32d. ..	17·91761d.
May ..	1s. 5-29/32d. ..	1s. 5-27/32d. ..	17·88101d.
June ..	1s. 5-29/32d. ..	1s. 5-55/64d. ..	17·88346d.
July ..	1s. 5-29/32d. ..	1s. 5-7/8d. ..	17·87921d.
August ..	1s. 5-59/64d. ..	1s. 5-29/32d. ..	17·90925d.
September ..	1s. 5-59/64d. ..	1s. 5-29/32d. ..	17·90848d.
October ..	1s. 5-31/32d. ..	1s. 5-29/32d. ..	17·96154d.
November ..	1s. 5-31/32d. ..	1s. 5-31/32d. ..	17·96875d.
December ..	1s. 5-31/32d. ..	1s. 5-31/32d. ..	17·96875d.
		Average for the year ..	17·91975d.

GOVERNMENT STERLING REMITTANCES, 1939.

Week ending.	Purchases of Sterling in India by tender and on tap.						Total Amount remitted.	Total.
	Amount of tenders.	Amount of tenders accepted.	Rate.	Percentage of allotment.	Amount of purchases on tap.	Rate.		
	£	£			£		£	£
6-1-39	....	....	..	..	1,160,000	1s. 5-15/16d.	1,160,000	....
13-1-39	....	....	..	..	1,455,000	„	1,455,000	....
20-1-39	....	....	..	..	1,755,000	„	1,755,000	....
27-1-39	....	....	..	..	1,445,000	„	1,445,000	5,815,000
3-2-39	....	....	..	..	1,425,000	„	1,425,000	....
10-2-39	....	....	..	..	2,345,000	„	2,345,000	....
17-2-39	....	....	..	..	1,712,000	„	1,712,000	....
24-2-39	1,035,000	1,000,000	1s. 5-15/16d.	97	1,051,000	„	2,051,000	7,533,000
3-3-39	25,000	25,000	1s. 5-31/32d.	..	..	..	....	....
	27,725,000	1,000,000	1s. 5-15/16d.	4	924,000	1s. 5-31/32d.	1,949,000	....
10-3-39	905,000	905,000	1s. 5-31/32d.	..	2,220,000	1s. 6d.	3,125,000	....
17-3-39	505,000	505,000	„	..	..	..	505,000	....
24-3-39	35,000	35,000	„	..	225,000	„	260,000	....
31-3-39	20,000	20,000	„	..	300,000	„	320,000	6,159,000
7-4-39	15,000	Rejected.	1s. 5-15/16d.	..	..	..	....	....
14-4-39	350,000	350,000	„	..	350,000	1s. 5-31/32d.	700,000	....
21-4-39	7,775,000	500,000	„	6	350,000	„	850,000	....
28-4-39	60,000	60,000	„	..	100,000	„	160,000	1,710,000
5-5-39	No purchases	....	..	..	..	..	....	....
12-5-39	10,000	Rejected.	1s. 5-29/32d.	..	..	..	....	....
19-5-39	No purchases							....
26-5-39	—do.—	....	..	..	..	..	....	....
2-6-39	—do.—	....	..	..	..	..	....	....
9-6-39	—do.—	....	..	..	150,000	1s. 5-15/16d.	150,000	....
16-6-39	....	....	..	..	..	..	....	....
23-6-39	No purchases							
30-6-39	....	....	..	..	225,000	„	225,000	375,000
July 1939.	No purchases	....	..	..	..	..	....	....
4-8-39	—do.—	....	..	..	..	..	....	....
11-8-39	....	....	..	..	100,000	1s. 5-15/16d.	100,000	....
18-8-39	....	....	..	..	505,000	„	505,000	....
25-8-39	....	....	..	..	2,915,000	„	2,915,000	3,520,000
1-9-39	....	....	..	..	2,495,000	„	2,495,000	....
8-9-39	....	....	..	..	640,000	„	640,000	....
15-9-39	....	....	..	..	2,780,000	„	2,780,000	....
22-9-39	....	....	..	..	760,000	„	760,000	....
30-9-39	....	....	..	..	2,455,000	„	2,455,000	9,130,000
Oct. 1939	....	....	..	..	10,393,000	1s. 5-63/64d.	10,393,000	10,393,000
Nov. 1939	....	....	..	..	8,445,000	1s. 6d.	8,445,000	8,445,000
Dec. 1939	....	....	..	..	9,920,000	1s. 6-1/64d.	9,920,000	9,920,000
Total ..	....	4,400,000	..	..	58,600,000	..	63,000,000	63,000,000

Note :—Publication of weekly communiques on Purchases of sterling suspended as from 7th October 1939.

STATEMENT OF AFFAIRS OF THE IMPERIAL BANK OF INDIA, 1939.

(IN RUPEES 00,000'S OMITTED.)

Average of Friday Figures.	Liabilities. Capital 5,62½ Reserve 5,57½. Fixed Deposits, Savings Bank, Current and other Accounts.	Acceptances for Constituents.	Sundries.	Assets. Investments. Government Securities.	Others.	Advances. Loans.	Cash Credits and overdrafts.	Bills discounted and purchased.	Other Assets.	Cash.	Ratio of total Cash to Liabilities (excluding Capital and Reserve Fund).
Average for 1937	81,89	1	70	44,25	1,28	5,88	18,09	3,71	2,78	17,70	21.43
Average for 1938	81,21	5	74	42,84	1,14	7,32	20,46	3,78	2,65	14,94	18.22
1939.											
January	81,44	4	53	41,08	1,01	10,35	22,20	3,96	2,39	12,18	14.85
February	81,08	6	48	38,37	98	9,13	23,56	4,46	2,47	13,82	16.93
March	82,28	6	58	38,17	97	9,26	24,22	4,71	2,57	14,18	17.10
April	82,37	8	71	37,55	96	10,42	24,28	5,07	2,56	14,34	17.24
May	83,18	7	94	38,42	96	9,83	23,52	5,25	2,61	14,77	17.54
June	83,83	7	1,45	41,23	94	8,89	22,08	4,72	2,89	15,17	17.77
July	86,62	6	53	44,39	95	8,64	20,98	3,76	2,31	17,37	19.91
August	83,87	5	47	49,14	96	7,93	19,88	3,27	2,36	17,05	19.07
September	86,55	5	57	50,84	96	8,19	20,57	2,93	2,46	12,42	14.25
October	85,09	7	71	49,66	96	7,88	21,61	2,42	2,55	11,98	13.95
November	85,44	9	88	46,73	96	7,95	23,10	3,14	2,72	12,99	15.03
December	86,55	6	1,32	42,62	96	9,64	27,78	4,35	2,95	10,81	12.29

SCHEDULED BANKS CONSOLIDATED POSITION.

(IN RUPEES 00,000'S OMITTED).
(EACH ASSET IS ALSO SHOWN AS A PERCENTAGE OF TOTAL LIABILITIES.)

Average of Friday Figures.	Cash in India and Balances with the Reserve Bank.		Demand Liabilities in India.	Time Liabilities in India.	Advances in India.		Bills discounted in India.	
Average for 1937.	32,01	13.28	133,54	107,50	111,79	46.38	6,27	2.60
Average for 1938.	23,18	10.18	123,95	103,66	109,93	48.30	4,71	2.07
1939.								
January ..	17,23	7.57	123,93	103,66	114,33	50.23	4,77	2.09
February	17,90	7.92	121,96	103,84	117,13	51.87	5,91	2.62
March	18,16	8.02	122,46	103,78	119,57	52.85	7,13	3.15
April	17,22	7.69	122,69	103,68	120,89	53.40	7,71	3.40
May	19,36	8.51	123,44	103,91	117,89	51.85	7,87	3.46
June	22,60	9.85	124,85	104,51	113,66	49.55	6,72	2.93
July	29,03	12.39	131,37	102,94	108,01	46.10	5,20	2.22
August ..	30,31	12.72	135,50	102,66	102,97	43.23	4,02	1.69
September ..	26,29	11.31	132,59	99,75	105,69	45.48	3,33	1.43
October ..	24,60	10.72	132,64	96,76	107,85	47.01	2,46	1.07
November ..	25,70	11.06	135,29	96,72	113,29	48.83	2,55	1.10
December ..	22,82	9.63	137,98	98,97	129,69	54.73	3,94	1.66

CLEARING HOUSE RETURNS.

(IN RUPEES 00,000'S OMITTED.)

——	Bombay.	Calcutta.	Cawnpore.	Delhi.	Karachi.	Lahore.	Madras.	Rangoon	Total.	Progressive Total.
Total for 1937.	848,20	10,05,39	12,05	18,04	36,78	12,00	110,03	88,95	2131,44	2131,44
Total for 1938.	790,99	914,63	12,24	18,71	32,43	10,46	101,47	78,20	1959,13	1959,13
1939.										
January ..	60,90	82,65	92	1,61	3,01	80	7,78	6,83	164,50	164,50
February ..	61,47	76,61	95	1,71	2,61	84	7,96	7,85	160,00	324,50
March ..	79,28	98,61	1,33	2,13	3,23	1,09	10,36	10,94	206,97	531,47
April ..	61,13	78,11	1,16	1,45	2,72	90	7,98	8,19	161,64	693,11
May ..	62,11	77,69	1,20	1,35	2,54	85	7,91	8,24	161,89	855,00
June ..	79,78	85,43	1,12	1,47	2,96	93	9,11	8,13	188,93	1043,93
July ..	60,54	68,17	77	1,44	2,52	83	7,50	6,90	148,67	1192,60
August ..	52,52	65,49	71	1,21	2,47	77	6,66	5,98	135,81	1328,41
September ..	74,97	107,59	1,02	1,52	3,28	90	8,47	8,40	206,15	1534,56
October ..	74,83	79,97	90	1,58	2,57	89	6,51	6,49	173,74	1708,30
November ..	62,46	100,67	90	1,56	3,15	92	7,07	6,69	183,42	1891,72
December ..	105,17	155,12	1,60	2,36	4,46	1,09	9,89	9,90	289,59	2181,31
Total for 1939.	835,16	1,076,11	12,58	19,39	35,52	10,81	97,20	94,54	2181,31	2181,31

RESERVE BANK OF INDIA.

(IN RUPEES 00,000's OMITTED.

Average of Friday Figures.	ISSUE DEPARTMENT. Notes held in Banking Department.	Notes in Circulation.	Gold coin and Bullion.	Sterling Securities.	Rupee coin.	Rupee Securities.	Percentage of gold & sterling Securities to total Notes Issued.	BANKING DEPARTMENT. Government Deposits.	Banks Deposits.	Other Deposits.	Total Deposits.	Other Liabilities.	Notes and Coin.	Balances held abroad.	Loans & Advances to Govt.	Other Loans and Advances.	Bills purch. & discount.	Investments.	Other Assets.
Average for 1937	22,06	188,03	44,42	79,10	60,20	26,38	58·79	11,11	25,73	59	37,43	82	22,14	17,41	62	2	1	7,35	1,68
Average for 1938	31,51	181,19	44,42	71,98	65,35	30,96	54·72	14,77	16,96	77	32,50	1,18	31,61	3,48	1,01	1	29	6,34	86
6-1-39	13,87	189,52	44,42	56,84	69,81	32,32	49·79	11,89	11,65	76	24,30	96	13,93	1,33	5,91	..	8,23	5,22	64
13-1-39	12,00	191,10	44,42	56,84	69,53	32,31	49·86	13,03	11,86	81	25,70	81	12,08	3,27	6,28	..	8,23	5,78	52
20-1-39	13,51	189,58	44,42	56,84	69,52	32,31	49·86	14,51	11,49	75	26,75	88	13,59	4,16	5,09	14	8,12	6,00	53
27-1-39	14,33	188,91	44,42	56,84	69,68	32,30	49·82	14,98	11,35	87	27,20	79	14,42	5,84	4,32	14	6,46	6,29	52
Average for Jan.	13,42	189,78	44,42	56,84	69,63	32,31	49·83	13,60	11,59	80	25,99	86	13,51	3,65	5,40	7	7,85	5,82	55
3-2-39	10,87	192,22	44,42	56,84	69,53	32,30	49·86	13,17	11,75	85	25,77	90	10,94	6,76	4,12	14	7,55	6,60	56
10-2-39	10,77	194,60	44,42	59,50	69,15	32,30	50·60	12,03	12,56	91	25,50	72	10,85	6,72	5,00	14	6,23	6,71	57
17-2-39	11,39	193,60	44,42	59,50	69,27	32,30	50·57	13,71	12,72	68	27,11	69	11,98	7,50	5,78	..	5,12	6,85	57
24-2-39	14,75	191,21	44,42	59,50	69,75	32,29	50·45	13,69	12,49	75	26,93	63	14,86	9,93	1,71	..	3,64	6,87	55
Average for Feb.	12,07	192,91	44,42	58,83	69,43	32,30	50·37	13,15	12,38	80	26,33	73	12,16	7,73	4,15	7	5,63	6,75	57
3-3-39	12,64	193,39	44,42	59,50	69,81	32,30	50·44	13,76	11,62	99	26,37	78	12,72	11,88	3,55	2	1,46	6,91	61
10-3-39	10,41	195,41	44,42	59 50	69,60	32,30	50·49	12,34	13,67	76	26,77	78	10,50	15,65	3,09	2	87	6,80	62
17-3-39	13,15	193,04	44,42	59,50	69,97	32,30	50·40	14,44	13,40	71	28,55	95	13.24	15,18	3,42	2	46	6,56	62
24-3-39	16,00	190,67	44,42	59,50	70,45	32,30	50·28	16,03	12,84	66	29,53	81	16,08	14,85	1,77	2	51	6,47	64
31-3-39	18,13	189,10	44,42	59,50	71,01	32,30	50·15	19,67	11,41	77	31,85	81	18,22	14,43	..	2	2,63	6,66	71
Average for Mar.	14,07	192,32	44,42	59,50	70,17	32,30	50·35	15,25	12,59	78	28,62	82	14,15	14,40	2,37	2	1,18	6,68	64
7-4-39	12,62	194,34	44,42	59,50	70,74	32,30	50·21	13,03	10,75	59	24,37	84	12,69	10,79	50	1,59	2,34	6,58	71
14-4-39	13,31	193,53	44,42	59,50	70,62	32,30	50·24	14,04	11,47	67	26,18	1,14	13,88	11,65	37	2,09	2,51	6,60	72
21-4-39	16,30	190,55	44,42	59,50	65,63	37,30	50·24	14,33	13,07	67	28,07	99	16,39	12,36	50	2	2,34	6,72	73
28-4-39	18,50	188,72	44,42	59,50	66,00	37,30	50·15	16,69	12,13	92	29,74	1,04	18,61	12,43	30	2	1,74	6,89	78
Average for Apr.	15,18	191,79	44,42	59,50	68,25	34,80	50·21	14,52	11,85	72	27,09	1,00	15,27	11,81	42	93	2,23	6,69	74
5-5-39	15,13	191,78	44,42	59,50	65,69	37,30	50·22	14,93	11,73	78	27,44	1,05	15,22	11,95	60	2	2,89	6,92	90
12-5-39	15,30	191,33	44,42	59,50	65,41	37,30	50·29	14,31	12,89	64	27,84	1,00	15,40	11,82	84	2	2,76	7,08	92
19-5-39	17,23	189,66	44,42	59,50	65,67	37,30	50·23	11,61	14,16	69	26,46	1,06	17,33	10,18	30	2	1,22	7,05	93
26-5-39	19,64	187,80	44,42	59,50	66,19	37,33	50·10	11,32	15,53	71	27,56	1,01	19,75	10,09	60	2	22	6,95	94
Average for May	16,83	190,14	44,42	59,50	65,74	37,31	50·21	13,04	13,58	71	27,33	1,03	16,93	11,01	71	2	1,77	7,00	92
2-6-39	18,51	189,15	44,42	59,50	66,40	37,34	50·04	11,60	13,78	68	26,06	98	18,60	9,56	66	2	22	7,00	99
9-6-39	17,93	189,98	44,42	59,50	66,65	37,34	49·98	10,81	14,73	83	26,37	1,28	18,01	9,48	1,82	2	22	7,11	1,00
16-6-39	20,99	187,79	44,42	59,50	67,51	37,35	49·77	10,78	17,24	68	28,70	1,00	21,10	8,48	1,36	2	27	7,11	1,86
23-6-39	25,79	184,14	44,42	59,50	68,66	37,35	49·50	14,67	16,69	64	32,00	1,16	25,89	8,38	45	2	22	7,25	1,01
30-6-39	26,15	184,63	44,42	59,50	69,50	37,36	49·30	15,78	16,58	62	32,93	1,08	26,24	8,46	65	8	25	7,29	1,05
Average for June	21,87	187,14	44,42	59,50	67,74	37,35	49·72	12,72	15,80	69	29,21	1,10	21,97	8,86	99	3	23	7,15	1,06
7-7-39	27,72	183,73	44,42	59,50	70,17	37,36	49·15	10,30	19,44	68	30,42	1,05	27,80	4,02	1,05	2	25	7,29	1,04
14-7-39	29,67	182,56	44,42	59,50	70,94	37,37	48·96	11,68	19,26	64	31,58	1,30	29,77	3,94	43	2	6	7,54	1,12
21-7-39	32,18	181,11	44,42	59,50	72,00	37,37	48·72	11,13	25,15	88	37,16	1,42	32,30	3,67	3,85	2	6	7,56	1,12
28-7-39	35,88	178,42	44,42	59,50	73,01	37,37	48·49	11,64	26,23	86	38,73	1,48	36,02	3,59	1,85	2	3	7,54	1,16
Average for July	31,36	181,46	44,42	59,50	71,53	37,37	48·83	11,19	22,52	76	34,47	1,31	31,47	3,80	1,80	2	10	7,48	1,11
4-8-39	33,95	180,75	44,42	59,50	73,41	37,38	48·40	10,80	23,87	88	35,50	1,50	34,07	3,37	67	2	3	7,56	1,28
11-8-39	34,28	180,68	44,42	59,50	73,66	37,38	48·34	11,77	23,33	84	35,94	1,65	34,40	3,37	1,16	2	28	7,25	1,11
18-8-39	36,53	179,49	44,42	59,50	74,71	37,39	48·11	15,07	21,63	79	37,49	1,64	36,66	3,59	63	2	28	6,82	1,13
25-8-39	37,89	178,89	44,42	59,50	75,47	37,39	47·94	15,13	26,98	70	42,81	1,65	38,02	7,44	61	2	42	6,82	1,13
Average for Aug.	35,67	179,95	44,42	59,50	74,31	37,39	48·19	13,19	23,95	79	37,93	1,61	35,79	4,44	77	2	25	7,11	1,16
1-9-39	35,05	182,13	44,42	59,50	75,87	37,39	47·85	14,89	26,92	1,24	43,05	1,67	35,15	10,08	31	..	1,16	6,81	1,21
8-9-39	22,55	194,79	44,42	59,50	76,04	37,38	47·81	13,25	18,36	1,01	32,62	2,17	22,67	10,71	1,29	4	1,10	6,28	2,70
15-9-39	17,73	199,27	44,42	59,50	75,70	37,38	47·89	10,15	21,01	1,58	32,74	2,23	17,87	14,76	1,70	4	1,51	6,31	2,78
22-9-39	15,27	201,58	44,42	59,50	75,56	37,37	47·92	12,25	17,76	1,03	31,04	1,94	15,39	15,91	89	4	1,13	6,28	3,34
29-9-39	18,52	202,91	44,42	64,50	75,14	37,37	49·19	14,17	15,43	97	30,58	2,02	18,65	13,57	8	4	60	6,33	3,32
Average for Sep.	21,82	196,14	44,42	60,50	75,66	37,38	48·14	12,94	19,90	1,17	34,01	2,01	21,95	13,01	85	3	1,19	6,40	2,67
6-10-39	17,02	208,50	44,42	69,50	74,23	37,37	50·51	12,08	15,58	1,20	28,86	1,76	17,13	10,95	1,95	4	60	6,53	3,42
13-10-39	14,72	209,79	44,42	69,50	73,24	37,35	50·74	12,98	17,56	96	31,50	1,92	14,83	15,01	2,55	6	1,06	6,25	3,66
20-10-39	17,06	211,95	44,42	74,50	72,74	37,35	51·93	11,96	18,74	89	31,59	1,89	17,17	12,18	2,46	6	1,30	6,45	3,86
27-10-39	18,50	210,30	44,42	74,50	72,54	37,34	51·98	13,12	19,68	93	33,73	2,13	18,63	14,23	58	5	2,05	6,59	3,73
Average for Oct.	16,83	210,13	44,42	72,00	73,19	37,35	51·29	12,54	17,89	99	31,42	1,93	16,94	13,09	1,89	5	1,25	6,46	3,67
3-11-39	13,31	214,93	44,42	74,50	71,97	37,34	52·10	13,58	17,59	89	32,06	2,17	13,41	17,40	34	5	2,54	6,70	3,79
10-11-39	14,58	220,65	44,42	82,50	70,98	37,34	53·95	10,67	18,42	88	29,97	2,19	14,69	11,42	2,39	3	2,84	7,04	3,75
17-11-39	13,18	220,95	44,42	82,50	69,89	37,33	54·21	11,92	19,56	86	32,34	2,06	13,30	12,67	4,39	2	3,00	7,03	3,98
24-11-39	13,64	220,11	44,42	82,50	69,50	37,33	54·30	12,86	20,13	85	33,84	2,20	13,76	15,06	3,62	1	3,25	6,83	3,52
Average for Nov.	13,68	219,16	44,42	80,50	70,59	37,33	53·65	12,26	18,92	87	32,95	2,15	13,79	14,14	2,68	3	2,91	6,90	3,75
1-12-39	11,32	221,95	44,42	82,50	69,03	37,33	54·41	13,97	19,23	80	34,00	2,72	11,44	16,57	3,62	1	4,60	6,93	3,55
8-12-39	12,27	229,35	44,42	92,50	67,37	37,33	56·67	12,30	14,49	79	27,58	2,76	12,34	10,60	74	1	6,32	6,99	3,32
15-12-39	15,82	229,83	44,42	97,50	66,40	37,33	57·77	13,21	15,96	83	30,00	2,51	15,88	7,75	65	1	7,86	7,10	3,26
22-12-39	16,61	232,69	44,42	101,50	65,05	38,34	58·53	15,43	14,45	1,19	31,07	3,09	16,68	8,09	28	..	9,29	6,55	3,27
29-12-39	18,53	235,92	44,42	107,50	64,22	38,34	59·70	12,97	17,18	1,16	31,31	2,95	18,63	5,55	1,20	..	9,24	6,31	3,34
Average for Dec.	14,91	229,95	44,42	96,30	66,42	37,73	57·47	13,58	16,26	95	30,79	2,81	14,95	9,71	1,30	1	7,46	6,78	3,35

TRADE OF INDIA—1939.

Imports and Exports of Merchandise and Treasure on private account.

(In Rupees 000's omitted.)

Months.	Exports including re-exports.	Imports.	Balance of Trade in Merchandise only.	*Treasure —Net Imports +Net Exports.	Balance of trade excluding Government Remittances.	Remittances to Secy. of State (adverse to India).	Net balance of trade +in favour — against India.
January ..	13,72,81	14,08,95	— 36,14	+ 3,30,00	+ 2,93,86	— 8,33,00	— 5,39,14
February ..	13,70,00	13,11,19	+ 58,81	+ 3,09,00	+ 3,67,81	— 9,82,00	— 6,14,19
March ..	15,33,02	15,54,04	— 21,02	+ 2,74,00	+ 2,52,98	— 6,79,00	— 4,26,02
April ..	13,25,50	13,43,40	— 17,90	+ 2,19,00	+ 2,01,10	— 2,31,00	— 29,90
May ..	15,34,35	14,62,66	+ 71,69	+ 1,17,00	+ 1,88,69	— 8,00	+ 1,80,69
June ..	15,42,27	14,91,20	+ 51,07	+ 1,79,00	+ 2,30,07	— 2,54,00	— 23,93
July ..	16,71,04	13,65,57	+ 3,05,47	+ 2,74,00	+ 5,79,47	— 1,00	+ 5,78,47
August ..	16,38,68	13,89,26	+ 2,49,42	+ 1,83,00	+ 4,32,42	— 7,65,00	— 3,32,58
September ..	15,64,21	11,29,17	+ 4,35,04	+ 2,88,00	+ 7,23,04	— 9,16,00	— 1,92,96
October ..	14,95,95	10,32,93	+ 4,63,02	+ 5,62,00	+10,25,02	—13,53,00	— 3,27,98
November ..	17,68,84	12,51,43	+ 5,17,41	+ 2,27,00	+ 7,44,41	—11,06,00	— 3,61,59
December ..	21,13,53	13,63,28	+ 7,50,25	+ 3,81,00	+11,31,25	—13,18,00	— 1,86,75
Total for 1939	1,89,30,20	1,61,03,08	+ 28,27,12	+ 33,43,00	+ 61,70,12	—84,46,00	—22,75,88

Source of information :—" Accounts relating to the Sea-borne Trade and Navigation of British India."

N.B.—From 1st April 1937, after the separation of Burma, the above figures do not include the trade of Burma, whereas the trade of India with Burma is included.

* Includes gold earmarked on account of purchasers abroad.

RAW MATERIALS—PRODUCTION AND EXPORTS.

(000's omitted.) (In Tons.)

Commodities.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.	* Production.		** Nett Exports. (+) Nett Imports (—) of India.	* Production.		** Nett Exports (+) Nett Imports (—) of India.
	World.	India.		World.	India.		World.	India. (Excluding Burma).		World.	India. (Excluding Burma)	
	1935-36.			1936-37.			1937-38.			1938-39.		
Cotton (Raw)..	5,659	1,066	+ 530	6,761	1,138	+ 697	8,149	1,032	+ 353	6,141	914	+ 386
Jute (Raw) ..	1,302	1,288	+ 771	1,726	1,716	+ 821	1,555	1,546	+ 747	1,201	1,191	+ 690
Rice	83,736	42,381	+ 184	92,219	48,865	+ 1,379	92,456	40,184	— 1,006	88,775	35,400	— 1,083
Groundnuts ..	5,334	2,258	+ 413	5,935	2,858	+ 739	6,889	3,501	+ 619	6,102	3,037	+ 835
Linseed ..	3,376	420	+ 164	§ 2,864	388	+ 296	§ 2,513	420	+ 226	§ 2,451	457	+ 318
Rape Seed ..	1,255	900	+ 19	1,331	957	+ 37	1,308	964	+ 32	1,435	1,021	+ 12
Seasamum ..	743	463	+ 1	776	479	+ 14	789	471	+ 10	620	364	+ 8
Cane Sugar ..	15,688	3,543	— 199	17,706	3,897	+ 2	16,987	3,189	+ 79	17,115	2,706	+ 23
Cotton Seed ..	11,810	2,485	+ 7	14,064	2,651	+ 9	16,633	2,362	+ 5	12,617	2,126	+ 5

Source of information { * 'League of Nations Statistical Year Book 1938-39.' ** 'Sea-borne Trade and Navigation of British India.'

§ Excluding U. S. S. R.

INDIA'S CROPS :—SEASONS AND EXPORT VALUE.

Name of Article.	Crops sown.	Crops harvested.	Export commences.	Value of Exports from Dec. 1937 to 30th November 1938.	Value of Exports from Dec. 1938 to 30th November 1939.
				(Thousands of Rupees)	
Rice .. .. (Husked, unhusked & Rice Flour).	May/June	November/December..	January.. ..	2,95,39	3,29,91
Jute	May/June	September/October ..	November ..	39,10,99	48,74,74
Cotton	May/June and October	October/November and April/May.	November ..	30,11,80	36,43,46
Tea	....	June/January ..	July	23,36,14	22,40,37
Cottonseed ..	...	October/November ..	December ..	39	12
Maize	July	October/November ..	December ..	8	4
Tilseed	July and October ..	November and March.	December/January.	16,05	9,04
Rapeseed ..	August/October ..	February/March ..	April/May ..	31,17	12,28
Mustardseed ..	August/October ..	February/March ..	April/May ..	4,34	4,19
Gram	September/October ..	February/March ..	May	23,56	7,80
Lentils	October	February/March ..	Late March ..	23,69	18,35
Peas (Beans) ..	October	March	April/May ..	2,47	97
Linseed ..	October	March/April	May	3,89,77	3,77,83
Barley	October/November ..	March/April	May	12,63	69
Wheat	October/November ..	April	May	4,08,06	78,87
Groundnut ..	August	December	January	10,99,51	8,06,53

* Value includes raw and manufactured articles.

CURRENCY RETURNS FOR EACH QUARTER.

(In rupees 00,000's omitted).

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1914.					
Jan.-Mar. ..	66,12	63,94	52,12	49,94	78·46
Apr.-June ..	70,26	65,46	56,26	51,46	79·34
July-Sept. ..	75,45	60,52	61,45	46,52	79·15
Oct.-Dec. ..	61,19	60,78	47,19	46,78	77·04
1915.					
Jan.-Mar. ..	61,63	59,55	47,63	45,55	76·89
Apr.-June ..	66,48	60,24	52,48	46,24	77·85
July-Sept. ..	68,06	63,81	54,06	49,81	78·74
Oct.-Dec. ..	63,59	62,06	49,59	48,06	77·71
1916.					
Jan.-Mar. ..	67,73	62,42	47,73	45,51	71·68
Apr.-June ..	71,39	65,47	48,23	43,25	66·81
July-Sept. ..	75,48	71,55	52,42	48,49	68·60
Oct.-Dec. ..	82,17	73,32	50,12	41,21	58·60
1917.					
Jan.-Mar. ..	86,76	84,36	40,47	37,58	45·59
Apr.-June ..	93,29	82,72	32,11	30,64	35·72
July-Sept. ..	108,43	99,31	46,95	37,83	40·69
Oct.-Dec. ..	114,77	108,31	53,29	46,83	44·83
1918.					
Jan.-Mar. ..	104,82	99,79	43,34	38,31	39·86
Apr.-June ..	114,79	105,96	37,37	36,39	33·45
July-Sept. ..	134,38	121,41	48,39	38,75	33·96
Oct.-Dec. ..	147,09	136,43	54,77	50,44	37·10
1919.					
Jan.-Mar. ..	153,46	149,74	54,88	51,16	34·96
Apr.-June ..	162,76	153,72	64,18	55,14	37·65
July-Sept. ..	171,86	167,11	72,33	68,53	41·54
Oct.-Dec. ..	182,91	175,28	83,38	75,76	44·40
1920.					
Jan.-Mar. ..	185,15	174,52	87,66	84,94	48·00
Apr.-June ..	170,74	164,34	91,52	84,97	52·65
July-Sept. ..	163,87	157,63	94,98	94,21	58·86
Oct.-Dec. ..	161,41	159,58	93,79	83,16	55·10
1921.					
Jan.-Mar. ..	166,16	163,41	89,74	86,99	53·61
Apr.-June ..	171,76	167,32	95,42	90,91	54·94
July-Sept. ..	178,37	175,56	103,10	99,16	54·38
Oct.-Dec. ..	179,72	172,53	104,31	98,29	57·50
1922.					
Jan.-Mar. ..	174,76	173,87	103,84	99,16	58·22
Apr.-June ..	176,01	171,76	105,05	100,83	59·19
July-Sept. ..	182,26	180,41	113,99	109,41	61·59
Oct.-Dec. ..	179,63	174,18	115,42	110,91	63·96
1923.					
Jan.-Mar. ..	174,70	172,65	111,37	109,37	63·54
Apr.-June ..	173,61	171,23	110,27	107,88	63·25
July-Sept. ..	179,29	175,72	121,81	114,36	64·19
Oct.-Dec. ..	183,41	178,30	123,34	108,93	64·16
1924.					
Jan.-Mar. ..	186,19	184,02	104,50	102,32	55·86
Apr.-June ..	181,33	172,49	100,97	98,98	56·52
July-Sept. ..	179,26	176,24	107,95	104,89	54·87
Oct.-Dec. ..	180,98	179,21	108,86	103,09	58·83
1925.					
Jan.-Mar. ..	184,19	181,12	100,00	98,60	54·36
Apr.-June ..	183,85	173,23	101,07	95,13	54·93
July-Sept. ..	189,51	179,46	112,40	101,07	57·82
Oct.-Dec. ..	191,87	189,61	112,50	105,65	57·17
1926.					
Jan.-Mar. ..	193,34	190,45	107,23	104,33	55·00
Apr.-June ..	191,44	184,91	113,24	106,47	57·82
July-Sept. ..	201,09	192,65	125,05	144,41	61·06
Oct.-Dec. ..	196,52	181,18	127,88	124,93	66·59

During Quarter.	Note Circulation.		Metallic Reserve.		Average Percentage.
	Highest.	Lowest.	Highest.	Lowest.	
1927.					
Jan.-Mar. ..	184,13	180,03	126,79	124,23	68·90
Apr.-June ..	181,60	169,68	137,10	133,10	77·40
July-Sept. ..	181,81	173,69	144,71	138,23	79·88
Oct.-Dec. ..	183,37	178,57	145,34	138,28	78·53
1928.					
Jan-Mar. ..	186,28	182,65	137,32	135,12	73·32
Apr.-June ..	186,09	177,15	135,36	127,93	72·14
July-Sept. ..	184,59	178,11	136,65	130,50	73·64
Oct.-Dec. ..	189,10	183,24	136,59	131,80	72·99
1929.					
Jan.-Mar. ..	192,47	188,03	132,17	130,92	69·17
Apr.-June ..	188,98	182,82	134,86	130,62	71·45
July-Sept. ..	187,69	185,02	145,21	136,21	76·15
Oct.-Dec. ..	187,21	179,10	145,80	140,27	78·45
1930.					
Jan.-Mar. ..	181,60	177,23	143,22	138,32	77·72
Apr.-June ..	174,14	163,72	144,66	142,30	84·35
July-Sept. ..	172,36	164,71	154,03	145,60	89·15
Oct.-Dec. ..	173,06	161,34	155,37	151,73	92·27
1931.					
Jan.-Mar. ..	160,99	156,53	151,59	145,29	92·95
Apr.-June ..	160,25	152,53	152,94	146,57	95·58
July-Sept. ..	156,51	146,22	149,34	136,74	94·74
Oct.-Dec. ..	179,30	153,93	136,15	126,55	81·47
1932.					
Jan.-Mar. ..	182,31	177,64	125,98	115,71	66·16
Apr.-June ..	174,62	167,83	122,66	115,54	70·41
July-Sept. ..	175,77	171,66	126,62	123,46	71·90
Oct.-Dec. ..	175,91	174,75	130,18	124,29	72·15
1933.					
Jan.-Mar. ..	176,89	174,15	137,85	134,83	77·67
Apr.-June ..	176,66	175,46	137,84	131,67	76·94
July-Sept. ..	179,76	176,97	134,72	132,90	74·87
Oct.-Dec. ..	180,04	177,88	134,29	131,73	74·30
1934.					
Jan.-Mar. ..	178,38	176,58	139,51	131,61	76·90
Apr.-June ..	180,87	176,75	139,37	137,24	77·40
July-Sept. ..	185,06	181,58	140,94	139,43	76·25
Oct.-Dec. ..	185,63	183,91	139,36	136,62	74·65
1935.					
Jan.-Mar. ..	186,10	182,85	137,19	131,66	72·63
Apr.-June .	188,01	185,50	96,32	93,82	50·78
July-Sept. ..	194,12	188,82	102,43	97,14	52·16
Oct.-Dec. ..	194,96	193,27	103,24	101,54	52 81
1936.					
Jan.-Mar. ..	195,57	193,29	103,83	101,56	52·76
Apr.-June ..	199,45	195,03	107,73	103,28	53·24
July-Sept. ..	203,22	200,07	112,48	108,35	54·93
Oct.-Dec. ..	203,30	199,15	112,56	108,42	55·09
1937.					
Jan.-Mar. ..	208,29	203,82	108,13	106,26	51.73
Apr.-June ..	208,41	206,68	106,18	99,00	48.53
July-Sept. ..	213,85	208,96	106,16	101,28	49.15
Oct.-Dec. ..	214,90	213,67	107,21	103,98	49.61
1983.					
Jan.-Mar. ..	214,03	212,94	107,83	106,72	50.22
Apr.-June ..	215,72	213,05	108,39	102,98	48.88
July-Sept. ..	216,32	212,45	114,66	108,01	52.28
Oct.-Dec. ..	210,34	206,35	115,82	114,50	55.13
1939.					
Jan.-Mar. ..	207,23	203,09	115,43	113,57	55.71
Apr.-June ..	210,78	206,63	115,16	109,83	53.75
July-Sept. ..	221,43	211,44	120,46	114,58	54.88
Oct.-Dec. ..	254,48	224,51	118,65	108,64	48.57

PRICE OF GOLD—1939.

Months.	PRICE IN LONDON PER FINE OUNCE (SPOT).		
	Highest.	Lowest.	Average.
	Sh. d.	Sh. d.	Sh. d.
January	150 5 (4)	148 5½ (19)	148 10·9600
February	148 7½ (1,2,3)	148 2 (27)	148 4·5000
March	148 6½ (18, 30, 31)	148 2½ (7, 8, 13)	148 4·5926
April	148 6½ (12, 17, 19, 20, 21, 22.)	148 5 (3)	148 6·0454
May	148 6 (1, 2, 4, 5, 6, 8, 18, 19, 20.)	148 5 (11, 24)	148 5·6154
June	148 6½ (16, 28, 29)	148 4 (6, 7, 13)	148 5·3846
July	148 6½ (1 to 5, 20, 21 26 to 31.)	148 5½ (14,15, 18,24)	148 6·1154
August	161 0 (28)	148 5 (24)	150 5·5384
September	168 0 (5 to 30)	160 (1)	167 7·2000
October	168 (Throughout)	168 (Throughout)	168
November	168 (Throughout)	168 (Throughout)	168
December	168 (Throughout)	168 (Throughout)	168
		Average for the year ..	155 1·6626

Months.	PRICE IN BOMBAY PER TOLA (SPOT).		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	37 9 6 (4)	37 1 3 (31)	37 3 6
February	37 1 9 (2)	36 14 6 (25, 28)	37 0 6
March	37 0 9 (17)	36 14 9 (9)	36 15 9
April	37 1 3 (5, 6)	36 15 3 (14)	37 0 4
May	37 2 6 (31)	37 0 0 (1, 2, 3, 4)	37 1 1
June	37 2 6 (1)	37 1 3 (19, 21, 22) 24, 26.)	37 1 8
July	37 2 3 (26 to 28)	37 1 3 (4)	37 1 9
August	39 4 0 (25)	36 9 0 (24)	37 7 2
September	43 8 0 (16)	38 13 0 (1)	41 0 1
October	41 14 0 (14)	40 12 6 (5)	41 5 7
November	42 2 9 (10)	41 8 6 (6)	41 13 5
December	42 4 6 (1)	41 12 0 (11, 22)	41 14 4
		Average for the year ..	38 9 5

Figures within brackets indicate the date on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF GOLD—1939.

Months.	Monthly import value of bar gold and coin into British India.	Monthly Export of bar gold and coin from British India.		Monthly estimated off-take in Bombay.*	Estimated stock at the end of each month in Bombay.
		Value.	Ozs. (Fine).		
	Rs.	Rs.		Tolas.	Tolas.
January ..	2,93,963	6,54,853	6,603	45,000	100,000
February ..	4,70,175	97,38,295	98,678	45,000	50,000
March ..	5,92,392	1,50,12,198	152,187	45,000	50,000
April ..	8,18,144	1,04,02,356	105,295	45,000	50,000
May ..	8,55,320	1,27,27,308	128,730	45,000	40,000
June ..	15,35,482	73,32,054	74,074	45,000	50,000
July ..	14,47,852	3,04,76,149	307,866	45,000	25,000
August ..	3,79,393	1,53,81,940	154,894	45,000	50,000
September ..	3,86,711	1,65,17,301	152,691	45,000	100,000
October ..	65,46,183	4,88,75,502	443,796	45,000	100,000
November ..	2,57,032	2,47,57,036	222,067	45,000	200,000
December ..	1,75,506	6,56,71,205	587,780	45,000	200,000
Total ..	1,37,58,153	25,75,46,197	2,434,661	540,000	..

* The above off-take figures are exclusive of shipments to foreign ports.

PRICE OF BAR SILVER—1939.

Months.	PRICE IN LONDON PER STANDARD OUNCE (Spot).		
	Highest.	Lowest.	Average.
	d.	d.	d.
January	21—1/8 (3)	19—15/16 (27)	20·3050
February	20—3/4 (17, 20)	19—15/16 (1, 2)	20·3698
March	20—5/8 (10, 14, 15, 16)	19—7/8 (29, 30)	20·2801
April	20—3/16 (27, 28)	19—15/16 (3, 4, 5)	20·0312
May	20—3/8 (6)	19—15/16 (27, 31)	20·1226
June	20 (2, 5, 6)	17—15/16 (29)	19·5048
July	18—3/16 (3)	16—1/16 (10)	16·9519
August	20—1/16 (25, 26)	16—5/8 (3)	17·7187
September	23—1/2 (20, 21, 22)	19—3/4 (1)	22·1781
October	23—1/2 (13)	21—1/4 (2, 4, 5)	22·7358
November	23—1/2 (8 to 13, 20 to 23, 30)	23—1/16 (2, 3, 6)	23·3778
December	23—1/2 (1, 4, 13, 19)	22—1/2 (27, 29)	23·2632
	Average for the year		20.5699

Months.	PRICE IN BOMBAY PER 100 TOLAS (Spot).		
	Highest.	Lowest.	Average.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	52 12 0 (14)	51 11 0 (18)	52 3 6
February	52 15 6 (21)	52 3 0 (2)	52 8 10
March	53 1 6 (15)	52 5 6 (27, 28)	52 10 9
April	53 2 0 (27)	52 9 0 (3, 4, 5)	52 12 4
May	53 10 0 (8)	52 11 0 (27, 30, 31)	53 0 6
June	52 11 0 (1 to 7)	48 4 0 (29)	51 10 9
July	49 8 0 (1)	44 7 6 (10)	46 1 4
August	53 4 0 (25)	44 10 0 (3)	47 6 9
September	63 12 0 (21)	49 14 0 (1)	59 0 6
October	61 7 0 (13, 14)	55 10 6 (5)	59 1 2
November	64 8 0 (30)	59 15 6 (2, 3)	61 8 5
December	66 4 0 (1)	58 14 0 (7)	61 15 7½
	Average for the year		54 2 8

* Figures within brackets indicate the dates on which the rate was prevalent.

IMPORTS, EXPORTS, OFF-TAKE AND STOCKS OF SILVER—1939.

Months.	Monthly imports of silver bullion (bar and other kinds of uncoined silver) into British India.	Monthly exports of silver bullion (on Government and private account).	Monthly estimated off-take in Bombay.*	Monthly estimated stock of silver at the end of each month.
	(Standard	Ounces.)	(In bars of	2,800 tolas.)
January ..	211,337	30,783P	575	2,250
February ..	413,342	....	900	1,500
March ..	938,619	552,392G	750	1,250
April ..	1,757,505	....	1,300	1,300
May ..	4,727,756	708,052G	1,750	2,500
June ..	3,480,230	3,542,156G	1,150	3,250
July ..	4,424,205	1,636,067G	3,700	1,500
August ..	4,211,915	....	2,850	2,650
September ..	5,211,015	....	4,800	9,200
October ..	760,157	3,542,909G	1,300	9,600
November ..	1,323,724	2,184,276G	600	20,000
December ..	189,083	3,541,626G	7,000	50,000
Total ..	27,648,888	15,738,261	26,675	....

* The above off-take is exclusive of shipments on private account to foreign ports.
G=Exports on Government Account.
P=Exports on Private Account.

GOVERNMENT SECURITIES.

RUPEES.

(Thousands of Rupees.)

Security.	When Issued.	Amount outstanding as at 31st Aug. 1939.	When Repayable.	Dates when interest is due.
		Rs.		
3 per cent. Loan	1896	3,23,50,		June 30, December 31.
3½ per cent. Loan	1843	24,47,51,	At the option of Government after three months' notice.	Feb. 1, Aug. 1.
Do.	1854	20,67,27,		June 30, Dec. 31.
Do.	1865	38,63,27,		May 1, Nov. 1.
Do.	1879	2,72,23,		Jan. 16, July 16.
Do.	1900	36,51,81,		June 30, Dec. 31.
2½ per cent. Loan	1936	12,01,28	On or before 1st June 1952, but not preceding 1st June 1948, with three months' previous notice.	June 1, Dec. 1.
3½ per cent. Bonds	1933	55,94,37,	After 15th Nov. 1947, at 3 months' notice but not later than 15th Nov. 1950.	May 15, Nov. 15.
3 per cent. Bonds	1934	10,67,32,	On Sept. 15, 1941	March 15, Sept. 15.
3 per cent. Loan	1935	15,12,85,	On or before 15th Sept. 1954, but not preceding 15th Sept. 1951, with three months' previous notice.	March 15, Sept. 15.
3 per cent. Loan	1938	42,03,30,	On or before 1st June 1965 but not preceding 1st June 1963 with three months' notice.	June 1, Dec. 1.
Do. ..	1939			
4 per cent. Loan	1926	63,30,26,	On or before 15th Sept. 1970 but not preceding 15th Sept. 1960 at three months' notice.	March 15, Sept. 15.
4 per cent. Bonds	1933	14,97,18,	1st August 1943.	Feb. 1, Aug. 1.
4½ per cent. Loan	1928	9,05,70,	On or before Sept. 15, 1960, but not preceding 15th Sept. 1955, with 3 months' previous notice.	March 15, Sept. 15.
5 per cent. Income-tax free Loan*	1919	56,74,94,	After Oct. 15, 1945, at three months' notice and not later than Oct. 15, 1955.	April 15, Oct. 15.
Do. ..	1923			
Do. ..	1924			
5 per cent. Bonds	1932	19,39,83,	On or before 1st October 1943 but not preceding 1st October 1940 with three months' previous notice.	April 1, Oct. 1.
		4,25,52,62,		
Post Office Cash Certificates ..	..	60,19,48,		
,, ,, Savings Bank Deposits	..	81,59,29,		
Treasury Bills	..	61,98,75,		
Prov. Funds & other unfunded debt.	..	86,40,89,		
Total Rs. ..	..	7,15,71,03		

The interest on Loans marked * is exempt from Income-tax, but not from Super-tax. It will be taken into account in determining the rate at which Income-tax will be levied on other income.

GOVERNMENT SECURITIES.

STERLING.

Description.	When issued.	Total sum raised.	Amount outstanding as on 31st March 1939.	Date of termination of Loan. *	When Interest. due.
		£	£		
India 4½ per cent. Stock.	1922-23 ..	40,000,000	39,091,404	If not previously redeemed, will be repaid at par on 15th May 1955 with right to redeem at par on, or on any half yearly int. date after 15th November 1949 at 3 months' notice.	May 15. November 15.
India 4½ per cent. Stock.	1928 ..	17,500,000	17,500,000	If not previously redeemed, will be paid at par on 1st June 1968 with right to redeem at par on, or on any half yearly int. date after 1st December 1957 on giving 3 months' notice.	December 1. June 1.
India 3½ per cent. Stock.	Between 1887 & 1912.	88,767,884	88,067,884	Not redeemable until 5th January 1931, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 3 per cent. Stock.	Between 1894 & 1921-24.	77,065,347	76,784,185	Not redeemable until 5th October 1948, but on or after that day upon one year's notice.	January 5. April 5. July 5. October 5.
India 2½ per cent. Stock.	1896-98 ..	11,539,986	11,539,986	Redeemable at any time at Government's option with one year's previous notice.	January 5. April 5. July 5. October 5.
India 5 per cent. Stock.	1932 ..	10,000,000	8,879,614	If not redeemed on 15th June 1942, will be repaid at par after 3 months' notice but not later than 15th June 1947.	June 15. December 15.
India 4 per cent. Stock.	May 11, 1933	12,000,000	11,355,000	If not redeemed on 15th December 1948, will be repaid at par after 3 months' notice but not later than 15th December 1953.	June 15. Dec. 15.
India 3½ per cent. Stock.	Nov. 9, 1933	10,000,000	10,000,000	If not redeemed on 15th December 1954, will be repaid at par after 3 months' notice but not later than 15th December 1959.	June 15. December 15.
India 3 per cent. Stock.	July 10, 1935	10,000,000	9,500,000	Redeemable at par on 1st Aug. 1952 or on any earlier date after 31st July 1949 at 3 months' notice.	August 1. February 1.
		Total Debt in England bearing interest.	272,718,073	@ 1s. 6d=Rs. 363·62 crores.	

TREASURY BILLS
(EXCLUDING THOSE HELD BY THE RESERVE BANK OF INDIA).

(1938)	Rs.	(1938)	Per cent.
Amount issued since 1st January 1938 ..	88,70,00,000	Highest rate obtained during 1938	2.5521
Amount matured upto 31st Dec. 1938 ..	81,13,25,000	Lowest rate obtained during „	0.6042
Amount outstanding on 31st Dec. 1938 ..	30,56,75,000	Average rate obtained during „	1.3177
(1939)		(1939)	
Amount issued since 1st January 1939 ..	1,18,95,25,000	Highest rate obtained during 1939	2.9158
Amount matured upto 31st December 1939	1,14,45,00,000	Lowest rate obtained during „	0.8140
Amount outstanding on 31st Dec. 1939 ..	35,07,00,000	Average rate obtained during „	2.0374

PARTICULARS OF TREASURY BILLS OUTSTANDING.

Approximate due date.	Amount Issued.	Average Rate.	Tenure.	Date of Issuance.
		Rs. a. p.		
Dec. 28, 1939 to Jan. 2, 1940 ..	Rs. 1,98,75,000*	2 11 4	3 Months.	Sep. 28 to Oct. 2, 1939.
January 6, 1940	„ 1,50,00,000	2 12 0	3 „	October 6, 1939.
January 4 to 9, 1940	„ 1,36,00,000*	2 14 8	3 „	October 4 to 9, 1939.
January 13, 1940	„ 1,50,00,000	2 12 11	3 „	October 13, 1939.
January 11 to 16, 1940	„ 3,07,75,000*	2 14 8	3 „	October 11 to 16, 1939.
January 20, 1940	„ 1,50,00,000	2 12 0	3 „	October 20, 1939.
January 18 to 23, 1940	„ 4,25,75,000*	2 11 4	3 „	October 18 to 23, 1939.
January 27, 1940	„ 1,50,00,000	2 10 0	3 „	October 27, 1939.
January 25 to 26, 1940	„ 1,90,50,000*	2 9 3	3 „	October 25 to 26, 1939.
February 3, 1940	„ 1,50,00,000	2 3 4	3 „	November 3, 1939.
February 1 to 3, 1940	„ 1,65,00,000*	2 0 2	3 „	November 1 to 3, 1939.
February 9, 1940	„ 1,50,00,000	1 15 8	3 „	November 9, 1939.
February 8 to 14, 1940	„ 90,75,000*	1 12 1	3 „	November 8 to 14, 1939.
February 17, 1940	„ 1,50,00,000	1 15 2	3 „	November 17, 1939.
February 16 to 21, 1940	„ 36,75,000*	1 12 1	3 „	November 16 to 21, 1939.
February 24, 1940	„ 1,50,00,000	1 15 4	3 „	November 24, 1939.
February 23 to 27, 1940	„ 55,00,000*	1 14 2	3 „	November 23 to 27, 1939.
March 1, 1940	„ 1,50,00,000	2 0 0	3 „	December 1, 1939.
February 29 to March 4, 1940 ..	„ 91,50,000*	1 15 2	3 „	Nov. 29 to Dec. 4, 1939.
March 8, 1940	„ 1,00,00,000	1 15 11	3 „	December 8, 1939.
March 6 to 11, 1940	„ 23,25,000*	1 15 2	3 „	December 6 to 11, 1939.
March 15, 1940	„ 1,00,00,000	1 15 10	3 „	December 15, 1939.
March 13 to 18, 1940	„ 80,50,000*	1 15 2	3 „	December 13 to 18, 1939.
March 22, 1940	„ 1,00,00,000	1 15 9	3 „	December 22, 1939.
March 20 to 30, 1940	„ 55,50,000*	1 15 2	3 „	December 20 to 30, 1939.
Total ..	Rs. 35,07,00,000			

* Intermediates.

STATEMENT SHOWING BOMBAY MUNICIPAL LOANS OUTSTANDING.

Particulars.	Amount of Loan.	Rate per cent.	Amount outstanding. (30-11-39)	Date of Repayment.	Interest due on.
FROM GOVERNMENT.	Rs.		Rs. a. p.		
Vehar Water Works Debt ..	37,30,053	4 %	11,53,491 14 9	1st January 1953.	1st of each month.
Conversion Loan	*82,67,000	3½%	69,14,779 3 0	31st March 1951.	31st March.
1½ Crores Loan .. .. *	25,00,000	4½%	15,51,640 7 0	31st March 1953.	Do.
	50,00,000	5½%	32,11,262 5 0	Do.	Do.
Rs. 140 Lakhs Loan .. *	1,15,00,000	5½%	75,50,726 7 0	Do.	Do.
	25,00,000	5¼%	16,89,615 9 0	31st March 1954.	Do.
Rs. 2½ Crores Loan .. *	1,08,26,000	5½%	72,94,049 11 0	Do.	Do.
	1,41,74,000	5¼%	85,74,316 5 0	Do.	Do.
Rs. 65 Lakhs Loan ..	65,00,000	5¼%	43,79,404 4 0	Do.	Do.
	1,28,00,000	5 %	89,78,230 11 0	31st March 1955.	Do.
Rs. 2 Crores Loan .. .. *	22,00,000	5 %	16,38,408 8 0	Do.	Do.
	50,00,000	5¼%	37,28,592 8 0	31st March 1956.	Do.
	40,00,000	5¼%	29,82,879 7 0	Do.	Do.
Rs. 150 Lakhs Loan .. *	30,00,000	5 %	22,81,278 1 0	31st March 1957.	Do.
	40,00,000	5 %	30,41,693 6 0	Do.	Do.
	40,00,000	3¾%	30,91,758 12 0	31st March 1958.	Do.
	9,99,97,053		6,80,62,127 6 9		
FROM PUBLIC.					
			22,08,500	1st January 1943.	1st April and 1st October.
			17,00,000	Do. 1946.	
Rs. 147 Lakhs Loan ..	1,47,00,000	5 %	10,00,000	Do. 1948.	
			43,00,000	Do. 1953.	
Rs. 25 Lakhs Loan ..	25,00,000	4 %	39,500	1st Nov. 1939	1st May and 1st November.
Rs. 19¼ ,, ,, ..	19,25,000	4 %	19,25,000	1st June 1940	1st June and 1st December.
Rs. 24¾ ,, ,, ..	24,75,000	4 %	24,75,000	1st June 1943	Do.
Rs. 24¾ ,, ,, ..	24,75,000	4 %	24,75,000	1st August 1946.	1st February and 1st August.
Rs. 15 ,, ,, ..	15,00,000	4 %	15,00,000	1st May 1949.	1st May and 1st November.
Rs. 30 ,, ,, ..	30,00,000	4 %	30,00,000	Do.	Do.
Rs. 55 ,, ,, ..	55,00,000	4 %	55,00,000	1st June 1942.	1st June and 1st December.
Rs. 70 ,, ,, ..	70,00,000	4 %	49,40,000	1st June 1954.	Do.
			20,60,000	1st June 1974.	Do.
Rs. 20 ,, ,, ..	20,00,000	4 %	20,00,000	1st May 1955.	1st May and 1st November.
Rs. 43 ,, ,, ..	43,00,000	4 %	43,00,000	1st May 1945.	Do.
Rs. 30 ,, ,, ..	30,00,000	4 %	30,00,000	1st January 1951.	1st January and 1st July.
Rs. 10 ,, ,, ..	10,00,000	5 %	10,00,000	1st July 1980.	Do.
Rs. 160 ,, ,, ..	1,60,00,000	6 %	1,60,00,000	1st December 1954.	1st June and 1st December.
Rs. 25 ,, ,, ..	25,00,000	5 %	25,00,000	1st January 1958.	1st January and 1st July.
Rs. 37 ,, ,, ..	26,21,500	5 %	26,21,500	1st August 1959.	1st August and 1st February.
Rs. 31.43 ,, ..	26,14,000	5 %	26,14,000	1st August1949-59	Do.
Rs. 28 ,, ,, ..	8,45,500	5 %	8,45,500	1st August 1954-59.	Do.
Rs. 40 ,, ,, ..	40,00,000	6 %	40,00,000	1st September 1950-60.	1st June and 1st December.
Rs. 9 ,, ,, ..	9,00,000	3½%	9,00,000	14th March 1966.	14th March and 14th September.
Rs. 24½ ,, ,, ..	24,50,000	3 %	24,50,000	1st February 1967	1st February and 1st August.
Rs. 30 ,, ,, ..	30,00,000	3 %	30,00,000	14th March 1968.	14th March and 14th September.
Rs. 30 ,, ,, ..	30,00,000	3 %	30,00,000	1st March 1969.	1st March and 1st September.
Rs. 23¼ ,, ,, ..	23,25,000	4 %	2,000	1st July 1935.	Do.
Rs. 13½ ,, ,, ..	13,50,000	4 %	15,000	1st May 1938.	Do.
	19,29,78,053		14,94,33,127 6 9		

* Repayable in equated annual Instalments.

STATEMENT SHOWING BOMBAY IMPROVEMENT TRUST SCHEMES
LOANS OUTSTANDING

Particulars.	Amount of Loan.	Rate per cent.	Amount outstanding. (30-11-39)	Date of Repayment.	Interest payable on.
	Rs. a. p.		Rs. a. p.		
FROM GOVERNMENT.					
Consolidated Loan at ..	4,17,94,178 1 0	3.3759	3,99,42,607 3 0	31st January 1981	31st January, 31st July.
Rs. 45 Lakhs Loan ..	45,00,000 0 0	4¼%	25,71,431 0 0	20th February 1982.	31st March yearly
		4½%	*19,28,569 0 0		31st March, 30th September.
	52,00,000 0 0			2nd October 1982	31st March(yearly)
	8,00,000 0 0	5½%	98,28,569 0 0	22nd January 1983.	
Rs. 172 Lakhs Loan ..	82,00,000 0 0	4½%	*73,71,431 0 0	Do.	31st March and
	30,00,000 0 0			14th March 1983.	30th September.
	40,00,000 0 0	5½%	52,00,000 0 0	2nd Nov. 1983.	31st March(yearly)
Rs. 89 Lakhs Loan ..	20,00,000 0 0			2nd January 1984.	31st March and
	29,00,000 0 0	4½%	*37,00,000 0 0	5th March 1984.	30th September.
	20,00,000 0 0			1st Nov. 1984.	31st March
	60,00,000 0 0	5 %	68,00,000 0 0	10th Nov. 1984.	(yearly).
Rs. 100 Lakhs Loan ..	20,00,000 0 0	4½%	*32,00,000 0 0	2nd January 1985.	31st March, 30th September.
	20,00,000 0 0	5½%	62,00,000 0 0	2nd October 1985.	31st March
	15,00,000 0 0		*8,00,000 0 0	2nd Nov. 1985.	(yearly).
Rs. 70 Lakhs Loan ..	35,00,000 0 0	4½%		2nd January 1986.	31st March, 30th September.
	8,93,94,178 1 0		8,75,42,607 3 0		
FROM PUBLIC.	Rs.		Rs.		Interest due on.
Rupee Coupon Debenture Loan.	50,00,000	4%	50,00,000	1st Nov. 1959.	1st May, 1st Nov.
Debenture Loan	30,00,000	4%	30,00,000	6th Sept. 1961.	1st Jan., 1st July.
,, ,, ...	30,00,000	4%	30,00,000	15th July 1962.	Do.
,, ,, ...	60,00,000	4%	60,00,000	20th Aug. 1963.	Do.
,, ,, ...	50,00,000	4%	50,00,000	7th Sept. 1964.	Do.
,, ,, ...	30,00,000	4%	30,00,000	12th Sept. 1965.	Do.
,, ,, ...	20,00,000	4%	20,00,000	2nd Oct. 1966.	Do.
,, ,, ...	15,00,000	4%	15,00,000	24th Sept. 1967.	Do.
,, ,, ...	30,00,000	4%	30,00,000	8th Sept. 1968.	Do.
Sterling Coupon Debenture Loan. (£5,66,600)	84,99,000	4%	84,99,000	1st July 1969.	Do.
,, ,, (£3,33,000)	49,95,000	4%	49,95,000	1st July 1970.	Do.
Debenture Loan	25,00,000	4%	25,00,000	28th Aug. 1972.	Do.
,, ,, ...	18,00,000	4%	18,00,000	26th Aug. 1973.	Do.
,, ,, ...	50,00,000	4%	50,00,000	4th Aug. 1974.	Do.
,, ,, ...	25,00,000	4%	25,00,000	3rd January 1976.	Do.
,, ,, ...	40,00,000	5%	40,00,000	1st Nov. 1957-79.	1st May, 1st Nov.
,, ,, ...	70,00,000	6%	66,00,000	1st April 1980	Do.
,, ,, ...	25,00,000	5%	25,00,000	16th Sept. 1956-86	1st Jan. 1st July.
,, ,, ...	25,00,000	4%	25,00,000	4th April 1961. 4th Oct. 1970.	Do.
,, ,, ...	25,00,000	5½%	25,00,000	1st Nov. 1944.	Do.
,, ,, ...	10,00,000	5%	10,00,000	31st March 1943.	31st March, 30th September.
,, ,, ...	10,00,000	3½%	10,00,000	14th March 1966.	14th March, 14th September.
,, ,, ...	30,00,000	6½%	2,500	1st Nov. 1937.	....
	Rs. 8,02,94,000 0 0		Rs. 7,68,96,500 0 0		

* These Debentures are repurchased from Government and held by the Corporation.

STATEMENT OF LOANS RAISED BY THE BOMBAY PORT TRUST TO DECEMBER 31, 1939.

Description of Loan.	Amount raised.	Rate of Interest.	Dates on which half-yearly payments of interest are due.	When redeemable.
	Rs.			
Debenture Loans				
1904 (60 yrs.) ..	36,50,000	4%	1st Jan., 1st July.	1st Nov. 1964.
1905 „ ..	35,00,000	„	1st Feb., 1st Aug.	1st Nov. 1965.
1906 „ ..	15,00,000	„	1st March, 1st Sept.	1st Feb. 1967.
1907 „ ..	44,00,000	„	1st May, 1st Nov.	1st Feb. 1968.
1908 „ ..	75,00,000	„	1st March, 1st Sept.	1st Feb. 1969.
1909 „ ..	40,00,000	„	1st Jan., 1st July.	1st Jan. 1970.
1910 „ ..	56,00,000	„	1st April, 1st Oct.	1st Jan. 1971.
1911 „ ..	75,00,000	„	1st June, 1st Dec.	1st Jan. 1972.
1912 „ ..	1,10,00,000	„	1st Feb., 1st Aug.	1st Feb. 1973.
*1913 (47 yrs.) ..	14,35,876	„	1st April, 1st Oct.	31st March 1960.
1913 (60 yrs.) ..	80,00,000	„	1st Jan., 1st July.	1st Jan. 1974.
1914 („) ..	88,25,000	„	1st April, 1st Oct.	1st Jan. 1975.
1914 (30 yrs.) ..	38,75,000	„	1st May, 1st Nov.	1st Nov. 1944.
*1915 (45 „) ..	10,00,000	„	1st April, 1st Oct.	31st March 1960.
*1915 (60 „) ..	55,00,000	„	1st June, 1st Dec.	5th Oct. 1975.
*1922 (37½ „) ..	61,61,000	„	1st June, 1st Dec.	31st March 1960.
*1924 (35½ „) ..	11,51,000	„	1st April, 1st Oct.	31st March 1960.
*1926 (33 5/12 „) ..	10,25,000	3½%	1st May, 1st Nov.	31st March 1960.
*1929 (30 „) ..	35,00,000	„	1st Feb., 1st Aug.	1st Aug. 1959.
*1930 (20 „) ..	38,50,000	4%	1st Jan., 1st July.	1st Jan. 1950.
*1930 (30 „) ..	12,50,000	3½%	1st May, 1st Nov.	1st Nov. 1960.
*1931 (30 „) ..	12,50,000	„	1st May, 1st Nov.	1st Nov. 1961.
*1932 (30 „) ..	13,50,000	„	1st March, 1st Sept.	1st Sept. 1962.
*1935 (40 yrs.) ..	24,58,000	3¾%	30th March, 30th Sept.	30th March 1975.
*1936 (30 „) ..	15,00,000	„	1st March, 1st Sept.	1st March 1966.
*1936 (23½ „) ..	48,04,000	3½%	1st April, 1st Oct.	1st April 1960.
*1938 (30 yrs.) ..	10,00,000	3¾%	15th March, 15th Sept.	15th March 1968.
	10,65,84,876			
Loans in England.				
1910 (30 yrs.) ..	66,66,667 (£500,000)	4%	1st Jan., 1st July.	1st July 1940.
1922 („) ..	2,13,33,333 (£1,600,000)	6%	1st Feb., 1st Aug.	1st Aug. 1952.
	2,80,00,000			
Grand Total ..	13,45,84,876			

* Taken up fully by the Trustees.

PRICES OF GOVERNMENT SECURITIES—1939.

MONTHS.		2½ per cent. Loan. 1948-52.	3 per cent. Loan. 1941.	3 per cent. Loan. 1951-54.	3 per cent. Loan. 1963-65.	3½ per cent. Govt. Paper.	3½ per cent. Loan. 1947-50.	4 per cent. Loans. 1943.	4 per cent. Loans. 1960-70.	4½ per cent. Loan. 1955-60.	5 per cent. Loans. 1939-44.	5 per cent. Loans. 1940-43.	5 per cent. Loan (T.F.) 1945-55.
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Jan.	Highest ..	99 4 0	102 13 0	101 5 0	98 0 0	98 6 0	105 1 0	108 14 0	111 4 0	118 12 0	101 11 0	105 0 0	115 12 0
	Lowest ..	98 14 0	101 14 0	100 14 0	97 10 0	96 3 0	104 10 0	107 10 0	110 10 0	117 14 0	101 3 0	104 10 0	114 15 0
	Average ..	99 2 2	102 7 8	101 2 7	97 14 8	97 15 4	104 13 11	108 10 1	111 2 8	118 8 2	101 6 5	104 13 8	115 6 7
Feb.	Highest ..	98 15 0	101 14 0	100 14 0	97 12 0	97 9 0	104 10 0	107 12 0	110 10 0	118 0 0	101 3 0	104 10 0	114 15 0
	Lowest ..	98 11 0	101 12 0	100 7 0	97 7 0	95 12 0	104 8 0	107 10 0	110 8 0	117 6 0	100 15 0	104 7 0	114 8 0
	Average ..	98 14 2	101 13 9	100 11 2	97 9 8	96 7 5	104 8 6	107 10 10	110 8 7	117 12 9	101 0 6	104 9 1	114 10 8
March	Highest ..	98 15 0	101 15 0	100 8 0	97 10 0	97 4 0	104 14 0	107 13 0	110 15 0	117 6 0	101 0 0	104 8 0	114 11 0
	Lowest ..	98 5 0	101 11 0	100 2 0	97 2 0	93 9 0	103 13 0	107 4 0	109 9 0	115 4 0	100 12 0	104 5 0	113 13 0
	Average ..	98 12 7	101 13 0	100 5 10	97 6 5	95 13 0	104 7 9	107 9 6	110 5 11	116 5 7	100 14 6	104 7 0	114 6 5
April	Highest ..	98 4 0	101 10 0	100 1 0	97 2 0	94 13 0	103 10 0	107 4 0	109 9 0	115 4 0	100 12 0	104 2 0	113 13 0
	Lowest ..	96 2 0	101 8 0	98 2 0	96 4 0	92 8 0	101 6 0	106 10 0	108 9 0	113 12 0	100 8 0	103 15 0	112 4 0
	Average ..	97 3 5	101 9 1	99 2 7	96 10 0	93 4 5	102 9 10	106 14 0	109 1 9	114 8 2	100 9 8	104 0 11	112 15 11
May	Highest ..	99 0 0	102 2 0	99 14 0	97 0 0	97 5 0	104 0 0	107 4 0	111 2 0	114 12 0	100 8 0	103 15 0	114 4 0
	Lowest ..	96 0 0	101 8 0	97 8 0	96 4 0	92 11 0	101 6 0	106 12 0	108 6 0	113 12 0	100 7 0	103 11 0	112 4 0
	Average ..	97 7 1	101 13 0	98 10 6	96 7 7	95 6 1	102 9 0	106 15 2	109 9 10	114 2 2	100 7 5	103 12 11	113 0 5
June	Highest ..	99 0 0	102 4 0	99 15 0	97 12 0	97 0 0	104 1 0	107 4 0	111 2 0	115 2 0	100 7 0	103 12 0	114 4 0
	Lowest ..	98 9 0	101 13 0	99 8 0	97 3 0	95 5 0	103 6 0	107 2 0	109 12 0	115 0 0	100 2 0	103 7 0	113 7 0
	Average ..	98 12 4	101 15 10	99 12 1	97 7 3	96 5 3	103 12 6	107 2 10	110 9 2	115 0 6	100 4 6	103 9 11	113 14 3
July	Highest ..	98 9 0	102 5 0	100 0 0	97 13 0	97 14 0	104 2 0	107 5 0	110 11 0	115 10 0	..	103 13 0	114 3 0
	Lowest ..	98 6 0	102 3 0	99 6 0	97 8 0	94 14 0	103 5 0	107 2 0	109 8 0	115 0 0	..	103 6 0	113 3 0
	Average ..	98 6 9	102 4 1	99 9 10	97 10 8	96 3 4	103 9 9	107 3 4	110 3 7	115 6 5	..	103 8 11	113 11 4
Aug.	Highest ..	98 8 0	102 7 0	100 1 0	97 12 0	98 4 0	104 3 0	107 6 0	110 15 0	115 14 0	..	103 15 0	114 3 0
	Lowest ..	96 12 0	102 0 0	98 12 0	96 2 0	93 14 0	102 2 0	106 12 0	108 2 0	114 12 0	..	103 4 0	112 0 0
	Average ..	98 1 2	102 5 2	99 11 2	97 4 5	96 11 3	103 10 9	107 4 6	110 2 0	115 9 0	..	103 11 3	113 8 9
Sept.	Highest ..	96 14 0	102 0 0	98 12 0	96 2 0	94 13 0	102 2 0	106 6 0	108 2 0	114 10 0	..	103 0 0	112 4 0
	Lowest ..	85 0 0	97 8 0	86 0 0	83 0 0	80 7 0	92 8 0	99 8 0	94 0 0	101 0 0	..	100 8 0	101 0 0
	Average ..	88 7 4	98 6 4	90 2 5	87 1 2	84 15 2	95 6 2	100 13 8	97 3 5	103 4 8	..	101 1 5	104 12 8
Oct.	Highest ..	86 12 0	100 4 0	87 10 0	83 0 0	86 10 0	95 8 0	101 10 0	97 4 0	103 4 0	..	101 14 0	108 0 0
	Lowest ..	84 8 0	98 12 0	86 0 0	82 2 0	83 0 0	93 2 0	99 14 0	95 2 0	101 8 0	..	101 4 0	106 2 0
	Average ..	85 3 5	99 8 11	86 3 9	82 6 0	84 9 10	93 12 6	100 8 10	95 11 10	102 0 2	..	101 10 3	107 0 11
Nov.	Highest ..	90 6 0	100 12 0	92 0 0	85 2 0	88 0 0	99 4 0	103 10 0	101 8 0	106 3 0	..	102 3 0	110 8 0
	Lowest ..	86 12 0	100 6 0	87 10 0	82 8 0	84 8 0	95 8 0	101 11 0	97 4 0	103 4 0	..	101 14 0	108 0 0
	Average ..	88 9 7	100 9 10	89 9 2	83 8 4	86 14 8	97 11 10	102 11 4	99 13 1	104 14 11	..	102 0 8	109 8 6
Dec.	Highest ..	99 12 0	100 14 0	92 14 0	87 2 0	87 14 0	99 4 0	103 12 0	102 6 0	107 0 0	..	102 3 0	110 11 0
	Lowest ..	91 0 0	100 12 0	92 4 0	85 12 0	87 6 0	99 2 0	103 10 0	101 8 0	106 6 0	..	102 1 0	110 6 0
	Average ..	91 8 7	100 12 11	92 11 8	86 10 4	87 10 0	99 2 4	103 10 7	102 1 2	106 11 3	..	102 2 2	110 8 10
Highest for the year ..		**99 4 0**	**102 13 0**	**101 5 0**	**98 0 0**	**98 6 0**	**105 1 0**	**108 4 0**	**111 4 0**	**118 12 0**	**101 11 0**	**105 0 0**	**115 12 0**
Lowest „ „ ..		**84 8 0**	**97 8 0**	**86 0 0**	**82 2 0**	**80 7 0**	**92 8 0**	**99 8 0**	**94 0 0**	**101 0 0**	**100 2 0**	**100 8 0**	**101 0 0**
Average „ „ ..		**95 0 9**	**101 4 8**	**96 7 9**	**93 2 8**	**92 10 9**	**101 5 7**	**105 8 9**	**106 6 0**	**112 0 4**	**100 12 6**	**103 4 8**	**111 15 4**

BANK RATE CHANGES.

BANK OF BOMBAY.

		Per cent.
1902.		
January	9	6
Do.	16	7
February	13	8
March	27	7
April	10	6
May	1	5
June	19	4
July	17	3
November	6	4
December	23	5
Average		**4·778**
1903.		
January	15	6
Do.	29	7
February	19	8
March	12	7
April	16	6
May	14	7
Do.	21	8
June	4	7
Do.	18	6
Do.	25	5
July	2	4
August	20	3
December	10	4
Do.	17	5
Do.	30	6
Average		**5·082**
1904.		
February	11	7
Do.	25	6
March	10	5
May	19	4
June	16	3
December	13	4
Do.	20	5
Average		**4·147**
1905.		
February	2	6
Do.	16	7
March	9	8
Do.	30	7
April	6	6
Do.	14	5
July	6	4
Do.	27	3
August	10	4
November	23	5
Do.	30	6
December	14	7
Average		**5·101**
1906.		
January	4	8
February	1	9
March	15	8
Do.	22	7
Do.	29	6
April	26	7
May	24	6
June	21	5
July	12	4
Do.	19	3
August	9	4
September	12	5
November	15	6
Do.	22	7
Do.	29	8
December	13	9
Average		**6·263**

		Per cent.
1907.		
March	7	8
May	2	7
Do.	9	6
June	6	7
Do.	20	6
Do.	27	5
July	4	4
August	1	3
September	26	4
November	7	5
December	12	6
Average		**5·939**
1908.		
January	3	7
Do.	9	8
February	6	9
March	19	8
Do.	26	7
April	16	8
May	28	7
June	25	6
July	2	5
Do.	16	4
Do.	23	3
October	22	4
November	5	5
December	10	6
Average		**5·920**
1909.		
January	14	7
May	13	6
June	3	5
Do.	24	4
July	15	3
November	4	4
Do.	18	5
Do.	25	6
Average		**5·137**
1910.		
March	3	7
May	12	6
June	2	5
Do.	23	4
July	7	3
October	6	4
November	3	5
Do.	17	6
December	15	7
Average		**5·164**
1911.		
May	18	6
June	1	5
Do.	21	4
July	13	3
October	19	4
December	21	5
Average		**5·019**

		Per cent.
1912.		
January	11	6
Do.	18	7
February	1	8
Do.	22	7
March	20	6
May	9	5
June	13	4
July	11	3
October	3	4
November	14	5
Do.	28	6
December	12	7
Do.	27	8
Average		**5·062**
1913.		
April	3	7
May	29	6
June	12	5
July	3	4
Do.	17	3
August	7	4
September	10	5
October	10	6
Do.	31	5
Average		**5·912**
1914.		
January	15	6
May	21	5
June	4	4
Do.	25	3
August	6	4
Do.	13	5
Do.	20	6
Average		**5·405**
1915.		
June	2	5
November	4	6
Average		**5·575**
1916.		
January	6	7
Do.	13	8
April	13	7
May	25	6
June	15	5
July	13	4
August	17	5
October	5	6
November	23	7
Do.	30	8
Average		**6·423**
1917.		
February	22	7
March	15	6
August	23	5
December	6	6
Average		**6·054**

		Per cent.
1918.		
May	23	5
November	7	6
Average		**5·539**
1919.		
January	16	7
March	7	6
June	12	5
Average		**5·580**
1920.		
January	22	6
February	5	7
April	8	8
Do.	22	9
May	13	8
Do.	27	7
June	16	6
July	29	5
November	4	6
Do.	12	7
Average		**6·363**

IMPERIAL BANK.

1921.		
March	3	6
June	2	5
December	15	6
Do.	29	7
Average		**5·638**
1922.		
February	16	8
April	27	7
June	1	6
Do.	15	5
July	6	4
October	26	5
December	14	6
Do.	28	7
Average		**5·810**
1923.		
January	11	8
May	25	7
Do.	31	6
June	7	5
Do.	28	4
November	15	5
Do.	29	6
December	20	7
Average		**5·947**
1924.		
January	3	8
February	14	9
April	10	8
May	29	7
June	19	6
July	3	5
Do.	31	4
August	21	5
October	16	6
Average		**6·674**
1925.		
January	22	7
May	21	6
June	18	5
July	2	4
September	24	5
December	3	6
Average		**5·635**

		Per cent.
1926.		
May	20	5
June	10	4
Average		**4·819**
1927.		
January	1	5
Do.	13	6
February	10	7
June	2	6
Do.	23	5
July	28	4
September	8	5
December	8	6
Do.	22	7
Average		**5·726**
1928.		
June	21	6
July	19	5
November	15	6
December	13	7
Average		**6·196**
1929.		
February	14	8
April	11	7
May	9	6
June	6	5
October	10	6
Do.	31	7
Average		**6·323**
1930.		
April	3	6
July	10	5
November	20	6
Average		**5·887**
1931.		
January	15	7
May	28	6
August	6	7
September	22	8
Average		**7·046**
1932.		
January	14	7
February	24	6
April	28	5
July	7	4
Average		**5·019**
1933.		
February	16	3½
Average		**3·563**
1934.		
Throughout the year		3½

RESERVE BANK OF INDIA.

1935.		
November	28	3
Average		**3·454**
1936.		
Throughout the year		3
1937.		
Throughout the year		3
1938.		
Throughout the year		3
1939.		
Throughout the year		3

COTTON MILLS.

Name of Company.	No. of Spindles.		No. of Looms.		Price during boom period 1920-21.	Quotations in 1939.		Intrinsic Value.* Less Depreciation.	Quotation at the close of year (23-12-39).
	Installed.	At work.	Installed.	At work.		Highest.	Lowest.		
					Rs.	Rs. As.	Rs. As.	Rs.	Rs. As.
Ahmedabad Advance	44,224	43,856	1,016	975	3,300	420	246-14	353	355
Bombay Dyeing † ..	181,488	159,100	4,802	4,753	4,395	1,212-8	687-8	1,140	1,130
Central India † ..	114,956	109,646	2,168	2,083	6,400	401	185	252	367
Century	92,840	82,384	2,828	2,695	1,545	445	189	352	413-8
Colaba Land	34,000	33,892	695	691	3,800	244	96	150	216-8
Coorla	23,828	19,400	719	638	340	145	78-2	151	130
Dawn	40,944	39,459	..	..	1,800	401-4	290	932	401-4
Finlay	46,072	42,743	784	769	1,845	225	87	105	211
Khatau	62,452	52,631	1,503	1,288	920	153-12	75	178	143-12
Kohinoor †	87,384	84,703	1,552	1,549	4,800	481	198	252	450
Laxmi Cotton ..	45,792	45,325	1,341	1,241	5,250	652-8	400	655	605
Morarji Goculdas ..	57,432	52,731	1,666	1,590	8,000	273	105	381	244
New City	45,944	45,532	432	431	1,040	232-8	90	124	224-6
New Great	46,884	45,958	1,029	1,021	1,375	510	164	315	462
Phœnix	54,244	51,284	728	696	1,430	330	200	507	315
Sholapur	100,588	98,288	2,234	2,145	18,500	4,400	2,600	17,415	4,400
Simplex †	36,408	27,250	1,298	950	1,335	146	62-4	108	135-8
Swan	30,428	29,539	528	525	1,700	209	80-12	105	203-8
Swadeshi †	79,288	54,082	2,150	1,885	6,030	397	185-8	248	346
Vishnu Cotton ..	51,940	51,246	1,465	1,436	2,375	1,475	1,000	1,125	1,438-12

* The intrinsic value is arrived at by valuing the mill at total book cost after adding liquid assets and deducting liabilities.

† Depreciation in these is taken at 25 % of the total block value.

JUTE MILLS.

Name of Company.	Number of Looms.	Quotations 1917 to 1939.		Quotations in 1939.		Intrinsic Value.	Quotations at the close of year. (22-12-39).
		Highest.	Lowest.	Highest.	Lowest.		
		Rs. As.	Rs. As.	Rs. As.	Rs. As.	Rs. As.	Rs. As.
*Albion	498	635	130	300	173	260	266-8
*Alliance	1,264	922	140	350	195	393	323
*Anglo-India	2,561	573	110	452	290	364	442
*Auckland	810	515	107	268	153	173	252
*Bally	959	369-8	77	276	153	700	262
*Barnagore	1,905	347	72	166	127	212	151
*Belvedere	820	785	220	478	325	315	455
*Budge Budge ..	991	820	195	415	238	387	395
*Caledonian	616	860	218	488	320	417	475
*Clive	969	79-8	16	32-2	20-4	30	30-8
*Dalhousie	766	832	195	440	282	370	422-4
*Delta	779	870	220	497	335	410	480
Empire	500	99	17-8	36-8	21-0	35	34-4
*Fort Gloster	1,884	1,565	265	650	410	783	615
*Fort William ..	1,014	620	107	315	184	522	307
Gondalpara	610	1,600	500	1,055	610	1,107	1,045
*Gourepore	1,394	1,670	180	805	512	565	783
*Howrah	1,941	70-10	23	66-2	47-2	43-8	63-4
*Hooghly	720	175	35-8	71-8	42	68	64-4
*Kamarhatty	1,797	1,198	226	610	435	429	585
*Kanknarrah	1,527	905	238	510	335	344	472
*Kelvin	703	1,460	370	599	390	593	582
*Khardah	1,530	760	230	475	295	292	440
*Kinnison	1,250	1,810	378	745	490	727	695
*Lansdowne	931	626	70	208	130	205	204
*Lawrence	840	1,060	220	510	315	537	495
*Lothian	558	705	125	348	185	285	332
Naihatty	815	900	200	457-8	280	402	415
*New Central	709	1,055	215	400	255	392	380
*Northbrook	567	113	25-8	50-8	28-8	48	45-8
*Reliance	1,276	101	20-8	72	51	53	66-8
*Standard	650	933	185	385	227	325	382
*Union	1,326	1,280	237	537	310	587	515

* The intrinsic value is arrived at by valuing each loom at Rs. 5,000, after adding liquid assets and deducting liabilities.

NUMBER AND PAID-UP CAPITAL OF DIFFERENT CLASSES OF COMPANIES AT WORK IN INDIA AT THE END OF EACH YEAR.

(Rupees 00,000's omitted.)

Years.	Total number of Companies.	Total paid up Capital.	Banking, Loan and Insurance.		Transit, Trading and Manufacturing.		Mills and Presses.		Tea and other Planting Cos.		Mining and quarrying.		Sugar.		Others.	
		Rs.	No.	Capital. Rs.	No.	Capital. Rs.	No.	Capital. Rs.	No.	Capital. Rs.	No.	Capital. Rs.	No.	Capital. Rs.	No.	Capital. Rs.
1920-21 ..	4,708	1,64,46	829	21,66	2,043	61,05	717	48,47	512	9,06	363	16,65	40	1,24	201	6,34
1921-22 ..	5,189	2,30,55	916	30,42	2,351	84,01	740	64,82	519	9,87	386	31,66	46	2,03	231	7,74
1922-23 ..	5,190	2,59,79	893	22,97	2,352	96,09	755	72,56	500	10,01	374	40,18	44	1,71	272	16,22
1923-24 ..	5,211	2,65,33	958	19,16	2,350	1,00,76	748	74,66	489	10,06	364	41,77	42	1,92	260	18,92
1924-25 ..	5,204	2,75,53	1,002	20,49	2,289	1,09,96	739	74,22	500	10,82	358	41,56	46	1,93	270	15,75
1925-26 ..	5,305	2,76,96	1,061	19,88	2,307	1,10,53	738	75,60	515	11,46	344	41,83	40	2,03	300	18,44
1926-27 ..	5,526	2,76,91	1,263	25,39	2,351	1,08,97	738	72,21	544	11,92	338	41,96	36	1,82	256	14,64
1927-28 ..	5,830	2,76,44	1,448	25,41	2,433	1,10,04	741	71,36	575	12,88	330	40,04	36	1,87	267	14,83
1928-29 ..	6,330	2,79,31	1,721	26,82	2,602	1,10,08	754	71,98	604	13,53	327	40,21	35	1,95	287	14,74
1929-30 ..	6,919	2,86,34	2,025	28,47	2,815	1,13,33	761	71,60	618	13,91	335	39,55	32	1,92	333	17,56
1930-31 ..	7,328	2,82,68	2,215	28,19	3,006	1,16,06	764	67,73	608	15,55	333	38,81	34	2,04	368	14,29
1931-32 ..	7,997	2,85,90	2,629	29,00	3,206	1,17,31	786	68,40	601	15,54	331	39,01	48	2,04	396	14,60
1932-33 ..	8,715	2,86,47	3,025	29,17	3,441	1,13,89	790	70,03	586	15,68	325	38,97	110	2,45	438	16,28
1933-34 ..	9,434	3,00,80	2,972	34,60	3,948	1,17,56	845	70,09	614	16,39	384	40,56	156	4,46	515	17,14
1934-35 ..	9,842	3,04,04	2,965	36,81	4,258	1,19,42	874	68,88	610	16,32	391	39,92	178	6,71	566	15,98
1935-36 ..	10,627	3,02,65	3,218	37,20	4,595	1,17,59	924	67,10	614	16,36	399	40,38	195	7,73	682	16,29
1936-37	Not available.															
1937-38																
1938-39																

NOTE :—

"*Transit, Trading and Mfg.*" :—Navigation, Rlys., Tramways, Landing and Warehousing, Printing, Publishing and Stationery, Public Service Co., etc., etc.

"*Mills and Presses*" :—Cotton, Jute, Silk, Wool, etc., Rice, Flour, Oil, Saw and Timber, etc.

"*Others*" :—Land and Building, Ice, Breweries, etc., etc.

Source of information "Joint Stock Companies Annual."

NUMBER AND CAPITAL OF NEW COMPANIES REGISTERED IN INDIA AND THOSE THAT HAVE CEASED TO WORK.

POSITION AS AT THE END OF EACH YEAR FROM 1920-21 TO 1938-39.

(Rupees 00,000's omitted.)

Years.	Number of new Companies registered.	Authorised Capital. Rs.	Paid-up Capital. Rs.	No. of Companies ceased to work.	Authorised Capital. Rs.	Paid-up Capital. Rs.
1920-21	987	1,47,23	3,12	137	14,15	4,09
1921-22	717	80,84	1,90	220	30,46	1,98
1922-23	496	34,42	1,48	524	88,29	8,25
1923-24	430	26,50	67	411	52,90	14,16
1924-25	416	21,23	86	427	49,00	7,21
1925-26	472	30,06	57	374	28,61	6,81
1926-27	529	19,39	44	309	26,82	5,87
1927-28	626	17,57	86	335	23,73	7,64
1928-29	726	27,38	78	229	13,72	5,49
1929-30	839	62,55	2,39	264	23,04	3,33
1930-31	731	21,56	83	292	37,84	11,12
1931-32	922	30,36	33	225	14,67	3,51
1932-33	1,087	30,71	31	361	20,33	3,43
1933-34	878	57,08	88	737	37,15	12,07
1934-35	973	43,18	52	608	26,21	4,40
1935-36	1,076	55,47	1,14	666	18,04	5,13
1936-37	1,210	1,10,51	68	662	36,59	5,76
1937-38	986	53,12	7	604	29,32	6,81
1938-39	996	45,27	12	494	11,97	2,12

NOTE.—The total number of Companies limited by shares, which were incorporated in India upto 1920-21 under the laws relating to the registration of Companies was 10,061. Of these 4,708 were working at the end of the year 1920-21, the remainder 5,353 were either wound up, or discontinued or never commenced business.

Source of information :—Upto 1935-36 " Joint Stock Companies Annual," and afterwards Monthly issues.

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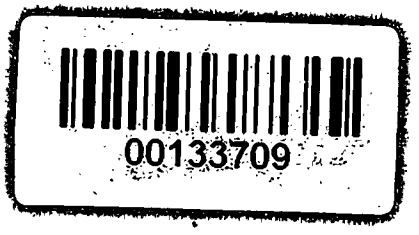
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